

FIAU

Financial
Intelligence
Analysis Unit
Malta



Annual Report
2022

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The Financial Intelligence Analysis Unit (FIAU) has made every effort to ensure that the information, data, and all content of this annual report is accurate at the time of publication. The data presented, unless otherwise indicated covers the period 1 January to 31 December 2022.





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Our Vision

“A reputable financial system safeguarded from criminal abuse that serves the legitimate expectations of society and the business community”

The Vision Statement defines the destination the FIAU shall strive to get to with the implementation of its Vision and Strategy for 2023 - 2026 and inspires and underpins the objectives which the FIAU is setting for itself under this Strategy. This foundational element aspires and motivates the organisation to do better and drive for greater successes.

Inspirational
Directs our day-to-day work

Aspirational
Makes us ambitious to achieve, become better and make a difference

Motivational
Gives purpose to the work that we do

Our Purpose

“To protect Malta’s financial system and the community from serious crime by combating money laundering and funding of terrorism, through the generation and dissemination of useful intelligence, and the application of effective and proportionate preventative measures, in collaboration with our private and public sector partners”



The Board of Governors of the FIAU

The Prevention of Money Laundering Act (PMLA) requires the FIAU to have a Board of Governors appointed by the Minister responsible for Finance and Employment. The Board consists of the Commissioner of Police, the Commissioner for Revenue (CFR), and five other members of whom one is nominated by the Governor of the Central Bank of Malta, two by the Chairman of the Malta Financial Services Authority (MFSA) and another two by the Chairperson of the Malta Gaming Authority (MGA). The Chairperson and Deputy Chairperson are appointed by the Prime Minister from among the persons appointed by the Minister.

The members of the Board are appointed for a term five years and may be re-appointed at the end of their term of office. They are required by law to discharge their duties in their own individual judgement and are not subject to the direction or control of any other person or authority.*

*As at the end of 2022 and prior to the amendments introduced by Act VIII of 2023, the Board of Governors consisted of five persons nominated as to one each by the Governor of the Central Bank of Malta, Chairman of the Malta Financial Services Authority, the Chairperson of the Malta Gaming Authority, Commissioner of Police and Commissioner for Revenue; and their term of appointment was for three years.



Chairman
Mr Kenneth Farrugia
BA (Hons) Accty, MIA,
CPA (pc), MA Business Ethics



Deputy Chairman
Mr Joseph Caruana
MBA (Executive), DPA,
FIAB, MIM



Board Member
Dr James Baldacchino
M.Adv. (Melit.)



Board Member
Mr Claudio Ghirlando



Board Member
Dr Carl Brincat
BA., LLD



Board Member
Mr Angelo Gafa
B.Com. (Hons), (Melit.), M.A.
(Public Policy), (Melit.), MSc



Board Member
Mr Paul Caruana
BA. (Hons) Criminology

The Board of Governors is a non-executive board and is responsible for the policy to be adopted by the Unit and to oversee that it is executed and pursued by the Director and his staff. The Director and the officials of the FIAU are responsible for the operations of the Unit, including the functions of analysing, requesting and/or forwarding or disseminating information. The Board of Governors has no involvement in the carrying out of these functions and the members of the Board do not have access to any case-specific information, data, documentation held, or databases maintained by the FIAU. All operational decisions are taken by the Director and his staff. The Board has no role in the day-to-day operations of the FIAU. The other function of the Board (apart from adopting and overseeing the implementation of policy) is that of advising the Minister responsible for finance on Anti Money Laundering and Counter Funding of Terrorism (AML/CFT) issues.

During 2022, the Board met 13 times and discussed several matters concerning the FIAU's development, its policies

and its future vision and strategy. Prominent on the board's agenda was the development of the FIAU's Vision and Strategy for 2023 – 2026. The strategy was developed entirely internally by the FIAU's staff, and was approved, and launched in November 2022.

Another important agenda item recurring from 2021 consisted of the updates and discussions about the plan and the work being carried out for Malta to be removed from the FATF grey list. This took place in June 2022. Progress reports and updates about the relocation to the new FIAU premises were also regularly on the Board agenda.

During 2022 the members of the Board were Mr Jesmond Gatt - Chairman, Dr Stefania Azzopardi - Deputy Chairman, Dr Carl Brincat, Mr Paul Caruana, and Mr Ramon Mercieca. In December 2022, Mr Jesmond Gatt stepped down from his position as Chairman of the Board and Mr Kenneth Farrugia was appointed Chairman with effect from 25 April 2023.



Letter of Transmittal

Hon. Minister for Finance and Employment
30, Maison Demandols
South Street
Valletta VLT 1102

23 October 2023

Minister

In accordance with Article 42(1) of the Prevention of Money Laundering Act, Cap 373 of the Laws of Malta, I have the honour to transmit a copy of the Annual Report on the operations of the Unit and a copy of the annual accounts certified by the Auditors for the Unit's financial year ended 31 December 2022.

Kenneth Farrugia
Chairman



Chairman's Statement



**Mr Kenneth Farrugia
Chairman**

It is my pleasure to introduce the 2022 Annual Report of the Financial Intelligence Analysis Unit following my recent appointment as Chairman of the Board of Governors.

2022 was a challenging year for the Unit, however it was one that gave the FIAU great satisfaction and a sense of pride. As in previous years, but even more so during 2022, the FIAU team worked hard, with steadfast commitment to carry out as effectively as possible the functions assigned to the Unit, and to address the areas indicated by the FATF, that required improvement. The result was that by the end of the first half of the year, Malta was taken off the FATF grey list.

The work carried out for this achievement should not be underestimated. It required proper understanding of what the FATF expected, the expertise and ability to transform those expectations into effective actions, long hours of hard work, determination, perseverance and above all exceptional teamwork. The efforts of the FIAU together with those of other stakeholders paid off. All 39 members of the FATF and the 10 FATF-style regional bodies agreed that Malta should be taken off the grey list. The changes brought about by the FIAU in several areas of its operations, the revised methodologies, processes and procedures, and the actions taken to ensure the effective application of AML/CFT standards, were acknowledged and commended not only by the FATF and MONEYVAL but also by the European Commission, the European Banking Authority, and the International Monetary Fund amongst others. Today the FIAU is highly regarded by European institutions and amongst the global FIU community.

The FIAU has now embarked on a new journey, that of implementing its strategy for the years 2023 to 2026. At the heart of this strategy is the FIAU's vision of a clean financial system serving the legitimate interests of society. The FIAU intends to work towards this objective in collaboration with all other stakeholders, with subject persons, whom it considers partners in the fight against money laundering and other financial crime.



The FIAU has now embarked on a new journey, that of implementing its strategy for the years 2023 to 2026. At the heart of this strategy is the FIAU's vision of a clean financial system serving the legitimate interests of society.

The FIAU will continue to strengthen its risk-based approach to AML/CFT supervision and to assist subject persons to achieve compliance. The Unit intends to work with subject persons encouraging them to acknowledge and address deficiencies through timely remedial action. Where enforcement action is necessary, the Unit will ensure that this is proportionate but at the same time, effective and dissuasive. This is an important requirement of both the EU anti-money laundering Directive and the FATF standards.

Going forward, enforcement of compliance will be shaped by the decisions of the Constitutional Court and any consequential amendments to legislation, which the FIAU will apply. Whatever the way forward, it is of the utmost importance that the work carried out so far is not undermined and that enforcement action continues to meet the requirements of the applicable international standards, without raising issues of lack of effectiveness once again. It would be a great pity and indeed disastrous should Malta be placed once again under enhanced scrutiny because of miscalculated actions. All stakeholders must assume responsibility for their actions.

In carrying out its intelligence analysis function the FIAU remains determined to continue providing to the police, inquiring Magistrates, regulatory and tax authorities and other national and foreign authorities, useful and timely intelligence to facilitate criminal investigations. The Unit carries out its functions and responsibilities away from the public eye, and although the work it carries out is not visible, it contributes valuable financial intelligence, without fear or favour, to the authorities tasked with criminal investigations and prosecutions, both locally and abroad. The Unit's contribution to the fight against crime has been acknowledged by foreign law enforcement agencies with whom it has closely collaborated.

I cannot not mention the work carried out during 2022 on the new FIAU premises. These offer modern, secure, and environmentally friendly offices, equipped with all the facilities and technology necessary to enable the FIAU to carry out its functions more efficiently.

I would like to conclude this brief statement by thanking all the staff of the Unit for their hard work and commitment, without which the achievements of 2022 would not have been possible. The governance of the FIAU brings with it responsibility, but it also brings to the Board the satisfaction of presiding over an organisation made of determined and loyal officials who conduct their duties with professionalism and integrity.

Finally, I must say that I am proud to have been appointed to form part of the FIAU Board of Governors and, even if not in an executive position, I look forward to working with my colleagues on the Board, with the Director and all the FIAU staff to continue to strengthen the Unit and to ensure that it continues to carry out its functions effectively in the interest of the Maltese financial system, the economy and society in general.



Acting Director's Welcome



Mr Alfred Zammit
Acting Director

Another year has gone by, and it is once again time to present the FIAU's Annual Report. Every year is marked by challenges, changes, and achievements. I will start, first of all, by thanking Kenneth Farrugia who served as Director of the FIAU up to the 11 April 2023, for his hard work, commitment and dedication to the FIAU throughout the years. Kenneth led the FIAU through difficult times and worked tirelessly to drive the reforms to achieve compliance with international standards. The challenges overcome, and achievements attained are of immense pride not only to me but to the entire team at the FIAU. I would like to express my gratitude to the outgoing Director and every member of the team; without their efforts, sacrifices, commitment, and determination, this annual report would read very poorly.

It goes without saying that the major achievement for 2022, was the delisting of Malta in June from the FATF grey list; a mere 12-months after listing. The decision by the FATF to conduct an on-site visit to Malta in March 2022 was a clear indication that Malta was on the right track. This was no small feat and to arrive at this point within nine months of grey listing, required the commitment and hard work of all the team at the FIAU to address the shortcomings identified by the FATF, whilst working in close cooperation and coordination with other competent authorities in Malta. The action plan undertaken was detailed, demanding, meticulously followed, and implemented by all those who needed to contribute towards it. The team at the FIAU together with other stakeholder authorities left no stone unturned to ensure delisting within the shortest possible timeframe, to minimise the negative impact of grey listing on Malta. The national effort was coordinated and supported by the National Coordinating Committee to ensure that all efforts came together cohesively to obtain the best possible outcome. I am grateful to all those who in one way or another made this remarkable success possible.

Although delisting might have been perceived by some as the all-consuming goal for the FIAU, this annual report provides ample evidence that this was not the case. Throughout 2022 the Unit continued to perform all its functions as required by law. Much of the FIAU's work takes place away from the public eye and what we do, is out of necessity confidential. Moreover, our work takes time due to meticulous and thorough processes to ensure accuracy and fairness. This by no means detracts from the sheer amount of work that goes on behind closed doors. Some figures to attest to this are that 2022 saw a



The team at the FIAU together with other stakeholder authorities left no stone unturned to ensure delisting within the shortest possible timeframe, to minimise the negative impact of grey listing on Malta.



new record for Suspicious Transaction Reports, with 8740 reports received, marking a 19% increase on 2021. A total of 7,901 intelligence disseminations were sent by the FIAU to national and foreign competent authorities and foreign FIUs, including 343 disseminations to the Malta Police Force (MPF). Guidance and Outreach efforts by the entire team at the FIAU were at the forefront, with seven guidance documents issued and numerous contributions made via participation in conferences, seminars and training events. International engagement was also a high priority during 2022, with our staff participating in a wide variety of international events, including meetings of the EU Commission expert groups, EU FIUs Platform, Egmont Group, and the European Banking Authority amongst others.

FIAU officials were also invited and acted as assessors in AML/CFT mutual evaluations of other countries conducted by MONEYVAL. On the supervisory side, the FIAU, together with the MFSA and MGA conducted 138 compliance examinations and supervisory visits, using a cycle built on a risk-based approach. Enforcement action for non-compliance with AML/CFT requirements resulted in 33 enforcement measures.

Apart from the delisting and the intense daily workload, during 2022 the FIAU marked two landmark events. The first was the 20th anniversary of the Unit. The FIAU of today is unrecognisable from where it started in 2002 with three employees and a small office in Valletta. Today the Unit has a staff complement of 160 (as at date of publication) and carries out several additional functions that were entrusted to it over the years. In 2023 the Unit moved to new offices to accommodate the current staff complement and the planned development and growth. New premises, improved logistics and greater resources will enable the FIAU to continue to perform its functions effectively in the ever changing and challenging world of AML/CFT.

The public launch of the FIAU Strategy for 2023 – 2026 in November was the second landmark event for the FIAU in 2022. With 20 years of operations and experience, and after a number of years responding to recommendations and targets set out by international bodies, it was the right time to renew the FIAU's Vision and Purpose and to develop a Strategy for their implementation. This important initiative



was led by the Strategy, Policy and Quality Assurance Section with a bottom up approach, ensuring that all FIAU employees were involved as much as possible in designing the road map for the Unit.

This approach gave the employees a sense of empowerment and purpose and enables them to believe in and own the FIAU's future plans. The FIAU also consulted with its private and public sector partners in recognition of the contribution these make to the fight against ML/FT. Indeed, as was clearly evident during Malta's delisting efforts, ongoing cooperation and collaboration between the FIAU and private and public sector stakeholders is very important to safeguard Malta's reputation, the financial sector and our economy. Subject persons are critical

partners of the FIAU, and without their collaboration the fight against ML/FT cannot be effective. One can read more about the de-listing process and the FIAU's Vision and Strategy for 2023 - 2026 in the Special Focus Section in this Annual Report.

The information, achievements, facts and figures you will peruse in the ensuing report, reflect a success story built on teamwork, commitment, and determination. You will read about our functions and how we carry them out.

Once again I am grateful for the excellent team at the Unit and for the cooperation and support received from all those with whom we work, including national authorities, foreign counterparts, and last but not least subject persons.

I conclude by reiterating our commitment to continue to work tirelessly and to do whatever is in our power to combat ML/FT, protect Malta's reputation as a safe jurisdiction and to encourage legitimate financial and business activities for the benefit of society.

Subject persons are critical partners of the FIAU, and without their collaboration the fight against ML/FT cannot be effective.

CHAPTER

01

Who We Are

1.1 Our Values

1.2 Organigram

1.3 Our Staff

1.4 Life at the FIAU



1.1 Values

Passionate

"I have found great colleagues who are committed to do the right thing and have a contagious passion to combat money laundering."

Clifton Grech

"I work with a group of talented individuals who have an incredible passion for their work and infectious energy, for whom all challenges become opportunities."

Nicole Psaila

"My experience as a Junior Data Analyst at the FIAU's Data Management and Analytics department has been incredibly valuable. I've had the opportunity to work on a variety of projects, learn new skills and technologies, and join forces with a talented team of professionals who place a high value on integrity."

Matteo Giorgino

Trust

"...what I truly appreciate more than anything is the work-life balance that I enjoy and the ongoing guidance and trust that I receive from the management."

Luke Baldacchino

"Our management's trust spurs employees to boost their individual potential while encouraging everyone to come together as a whole when teamwork is required."

Martina Blandi

"I joined the FIAU a short time ago and I can truly say that everyone has made me feel welcome and trusted me from the start and ensured that I made a smooth transition into this new role."

Chiara Francesca Refalo

Perseverance

"Working within the Enforcement Section has been challenging but equally fulfilling. I have been working with the FIAU for almost three years, and each day has presented me with a stimulating environment to further expand my knowledge and analytical skills."

Martha Mallia Pawley

"As an Intelligence Analyst, I can confidently say that my experience at the FIAU has been both challenging and rewarding, whereby I have come to understand the value of perseverance when it comes to financial investigations."

Matthew Vella

"We challenge ourselves daily to be able to assist subject persons in the implementation of their remedial action plan in the most efficient and effective way possible."

Clyde Fenech

Integrity

"The leadership at the Unit sets a high standard for professionalism, integrity, and accountability, making it a great place to work, grow and develop. In addition to being given meaningful work and the opportunities to contribute to exciting projects which make a lasting impact, the supportive and collaborative work environment has also allowed me to continue expanding my knowledge and skill set."

Jeremy Mercieca Abela

"At the FIAU, I'm surrounded by a team of intelligent, creative, hardworking and inspiring individuals. We all strive to carry out our work with integrity and look at our effort as a noble mission to fight ML/FT."

Monique Cauchi

"My colleagues have made me feel heard and trusted from the moment I started working at the Unit. I am surrounded by a group of people who represent integrity, are motivated and hardworking, who are always willing to help, and who inspire me daily to do my best."

Christabel Coleiro

Meticulous

"As an associate within the Enforcement team, I've had the opportunity to learn that being meticulous is the catalyst in the FIAU's pursuit of financial integrity. I've witnessed that the requirement for transparency and ethical conduct is not a duty solely bestowed upon subject persons as gatekeepers, rather it is a shared duty between both subject persons and the FIAU in the fight against money laundering and terrorism financing."

Sarah Attard Cassar

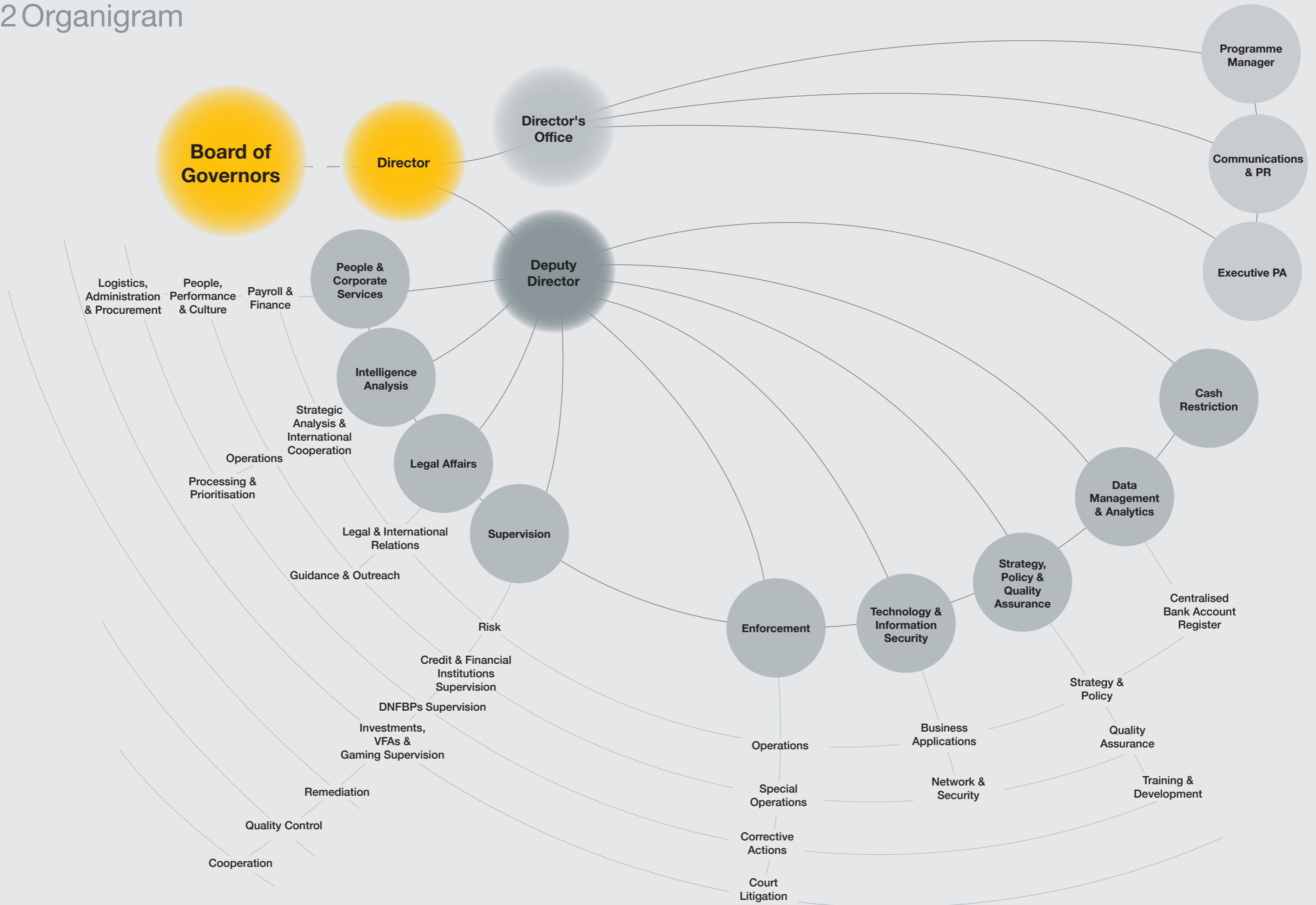
"The root purpose of the FIAU is to fight crime as Malta's anti money laundering and funding of terrorism watchdog. In order to do this effectively it is important that we are meticulous in our daily tasks to ensure that the analysis conducted and the outcome of our work is of great quality."

Kailey Ebejer

"Working at FIAU requires attention to detail, mistakes can change an entire situation. The agency's focus on intelligence, supervision and enforcement provides a strong foundation for combating financial crime. I am proud to be part of such a dedicated team."

Jonathan Vella

1.2 Organigram





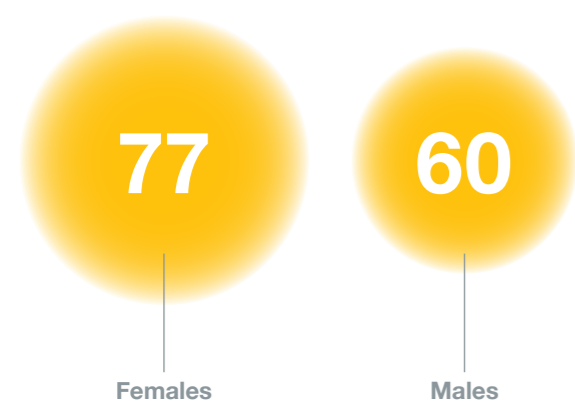
1.3 Our Staff

Recruitment

+7	+7	+7	+3	+2	+2	+1	+1	+1
Supervision	Intelligence Analysis	Corporate Services and People, Performance and Culture	Enforcement Section	Data Management & Analytics	Strategy, Policy & Quality Assurance	Legal Affairs	Cash Restriction	Technology and Information Security

Employees' Demographics

Gender



Nationalities

	Malta	123
	Italy	5
	Lithuania	3
	Romania	2
	Albania	1
	Cyprus	1
	Poland	1
	Spain	1

Average Age
33

Staff Education

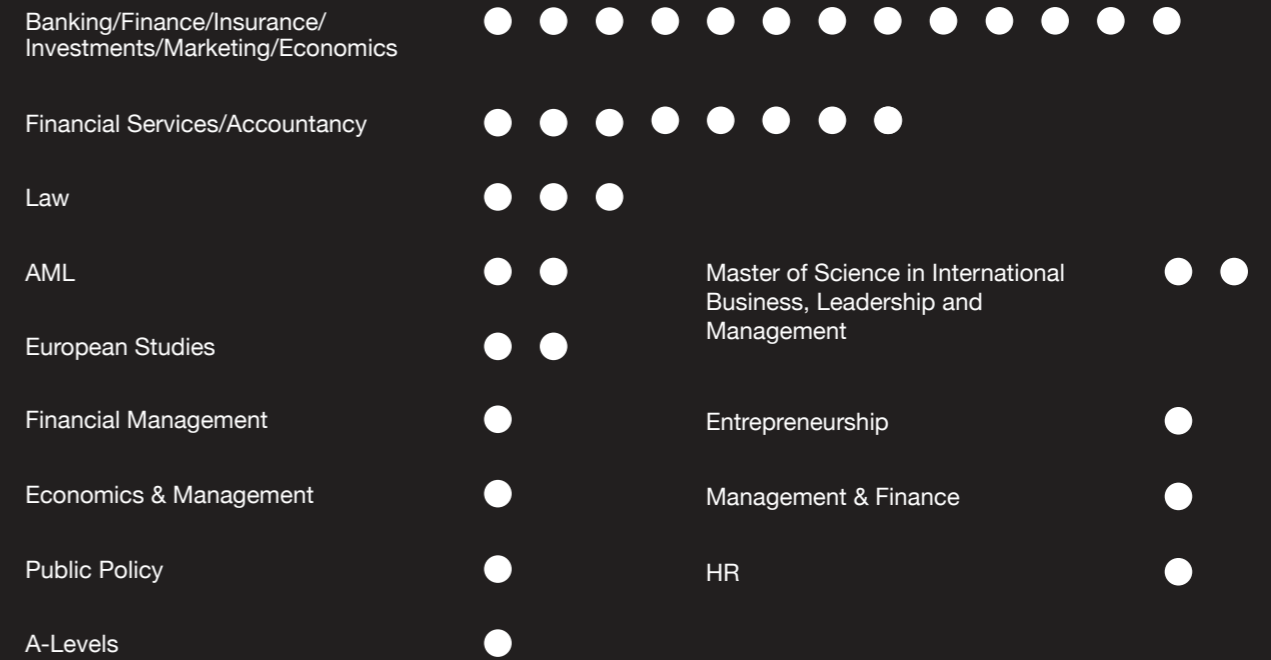
Accounts	11	Human Resources	5
Accounts & Finance		Hotel Management	1
Accounts & IT		International Business, Leadership and Management	1
Accounts & Business Ethics		Insurance & Risk Management	1
A Levels	5	IT	6
Banking & Finance	24	Law	23
Business Analytics		Marketing, Insurance & Finance	1
Investments		MBA	1
Management		Media	2
Marketing		Middle Management	1
Insurance		Notarial Studies	1
Management + Marketing		Public Policy	2
Mathematics		Public Policy & Strategic Management	1
Statistics		Psychology	1
Business Administration/Management	3	Secretarial & Administrative Studies	1
Business Enterprise	2	AML Specialisation	1
Business Information Technology	1		
Communications/Psychology	1		
Corporate Finance	1		
Customer Care	1		
Criminology	10		
Counter Fraud & Counter Corruption Studies	1		
Electrical Installation	2		
Entrepreneurship	2		
European Studies	3		
Economics	1		
Economics & Management	2		
Financial Services / Financial Services Management	9		
Finance & Auditing	1		



Qualifications Found in Key Functions Intelligence Analysis Qualifications Breakdown



Supervision Qualifications Breakdown



Enforcement Qualifications Breakdown



1.4 Life at the FIAU

What is it like working for the FIAU?

Our staff complement is made up of passionate and resilient people who continuously strive to do better and aim high to reach the Unit's goals and objectives. The FIAU is an inclusive organisation that promotes diversity, equality, and career development. This is evident in the demographics of the Unit, as can be seen in previous pages, having engaged people from different parts of the world and with various professional backgrounds. In 2022 the FIAU continued to grow and employed a total of 31 employees.

During the pandemic, technology became an increased part of our daily lives and working from home became the best alternative approach to ensure a smooth continuation of work. This being said, the lack of physical communication and interaction were evident, as was the lack of separation between one's work and home life. Following the pandemic, even though full return to the office was possible, the management chose to retain an element of working from home. Using this hybrid approach, offers employees a better work-life balance.

Staff well-being is a priority at the FIAU. In fact during 2022, the FIAU's social committee organised various events aimed at adding value to daily life at the Unit. During these activities, staff interaction is key, and the activities provided a variety of stimulating events, such as desk work outs, worker's recognition awards, and team building events. Health awareness is also important and throughout the year various health professionals were invited, to address staff about various health issues, such as breast cancer. Staff are also offered the possibility to talk to a psychologist.



The FIAU invested in a career marketing plan. The Unit engaged on an ongoing basis with secondary schools, University, and MCAST, and participated in various career fairs, whereby staff members from different sections connected with students and provided them with the necessary information to understand what the FIAU stands for, its main purpose, and what it takes to be a part of our team.

At the FIAU, we recognise that we have a responsibility towards society as well. Staff members were invited to identify a number of organisations that the Unit could support. This resulted in helping several organisations which offer comfort and assist people suffering from domestic violence. A number of volunteers donated blood on various occasions. Furthermore, a generous amount of money was collected for charities, such as Breast Cancer Awareness, Children's Dreams and the Food Bank. These were moments to treasure as they brought out the best in people by giving something back to society without expecting anything in return.

“Working at the FIAU means that I am surrounded by passionate and hardworking people who are motivated to take up new challenges. I am proud to be part of a team that drives me to work to the best of my abilities and add value to my role. Within the Remediation team, we challenge ourselves daily to be able to assist subject persons in the implementation of their remedial action plan in the most efficient and effective way possible. I am also happy to be part of an organisation which has a higher purpose and a strong sense of collaboration and communication, which are very important to cultivate a family atmosphere within the workplace.”

Clyde Fenech – Supervision

CHAPTER

02

What We Do

2.1 Overview
of the FIAU



2.1 Overview of the FIAU

The FIAU was established in 2002. The Unit is an autonomous agency falling under the remit of the Ministry for Finance and Employment and is governed by a Board of Governors, acting as a non-executive, policymaking, and governance oversight body, appointed in terms of the Prevention of Money Laundering Act.

The functions, powers, and operations of the FIAU are carried out by the Director and officials of the Unit in accordance with the policy established by the Board of Governors. The FIAU is an independent body with a distinct personality from that of the government and has full operational independence and autonomy. At the time of publication the staff component stands at 160, with continued need for growth. This team is responsible for preventing and detecting money laundering and the funding of terrorism through various functions, with the primary ones being the following:

Intelligence Analysis

Intelligence analysis is one of the core functions of the FIAU and is carried out by the Intelligence Analysis Section. The FIAU receives, collects, processes and analyses information and data to generate useful intelligence. This is then disseminated to the Malta Police, various other national competent authorities and foreign counterparts. Disseminations take place both spontaneously and upon request for the purpose of investigatory, prosecutorial, regulatory, or other relevant functions aimed at combating money laundering, funding of terrorism and serious crime.

The main source of information which results in operational analysis are the suspicious transaction reports (STRs) and suspicious activity reports (SARs) relevant to Money Laundering (ML), associated predicate offences and Funding of Terrorism (FT) submitted to the FIAU by subject persons. This information is supported by additional information that the FIAU is empowered to obtain from subject persons, Government ministries, departments, agencies, and authorities, as well as from foreign counterparts.

The Intelligence Analysis Section also carries out strategic and tactical analysis using the information, data, and intelligence available to the FIAU. The findings and results are used to identify and understand ML/FT threats, vulnerabilities, and risks, on both a sectorial and national level, and to introduce mitigating measures where necessary, including by introducing policies or making changes to Malta's AML/CFT framework. The results of these analyses are also used by the FIAU to provide further guidance to subject persons.

Supervision

The Supervision Section is empowered to fulfil its function by law, through Article 16(1)(c) of the PMLA, and its functions mainly revolve around monitoring compliance by subject persons with Anti-Money Laundering and Combating the Funding of Terrorism (AML/CFT) obligations and engaging with them to take remedial action to address compliance shortcomings.

The Roles of the Supervision Section

Risk Assessment	The identification, assessment, and monitoring of Money Laundering/Funding of Terrorism (ML/FT) risks posed by SPs and the sectors in which they operate.
Supervision	Supervision of adherence to AML/CFT obligations by SPs through various supervisory actions.
Guidance	Provision of guidance to SPs in relation to the interpretation and application of their AML/CFT obligations.
Remediation	Determining remedial action to be taken by SPs following compliance examinations carried out and following up on the adequate implementation of remedial action.
Quality Control	The ongoing monitoring and enhancement of the quality of supervisory related processes.
Cooperation	Instilling cooperation on AML/CFT matters, both on a national and an international level.



The Supervision Section is comprised of seven different teams:

The Risk Team

The Investments, VFAs and Gaming Team

The Remediation Team

The Quality Control Team

The Credit and Financial Institutions Supervision Team

The DNFBPs Supervision Team

The Cooperation Team

Enforcement

This function generally consists in taking enforcement action on AML/CFT breaches committed by subject persons and following up on the implementation of the required remedial action. FIAU enforcement action includes engagement with subject persons through a fair process, and taking the necessary administrative measures, as required, to ensure compliance. In line with international standards, the FIAU seeks to ensure that measures taken are **proportionate, effective and dissuasive**.

Where a compliance examination conducted by the Supervision Section identifies material findings, a potential breaches letter is issued and sent to the SP, who will then have the opportunity to submit both written and oral representations. Following the issuance of such potential breaches letter, the case is then referred to the Enforcement Section for review and assessment, and is then presented to the Compliance Monitoring Committee (CMC). The CMC is entrusted to determine whether the SP has breached its obligations at law, and the administrative measure to impose. This depends on the severity and materiality of the breaches identified and in line with the sanctions policy and CMC governing principles.

In addition, the Enforcement Section is also responsible for looking into:

- information on AML/CFT breaches received from the CBAR team;
- failure to submit or late submission of the REQ;
- failure to reply or late reply to a request for information made by the FIAU.

Following examination of the potential breaches report, the SP's representations and all the evidence available, the CMC deliberates on the case and decides whether to confirm or otherwise the potential breaches, and on the appropriate administrative measures as applicable.

The roles of the Enforcement Section are:

Preparing cases involving potential breaches of AML/CFT obligations for the consideration of the FIAU Compliance Monitoring Committee (CMC).

Implementing the CMC's decisions through the issuance of sanction letters and/or directives to take corrective actions.

Monitoring compliance with the obligation to submit the annual REQ.

Monitoring compliance with the obligation to reply to FIAU requests for information.

Periodic exercises on Customer Due Diligence by subject persons concerning defunct companies.

Monitoring compliance with CBAR reporting obligations.

Following up on Directives imposed.

Court Litigation and Appeals.



The Compliance Monitoring Committee (CMC) and administrative measures

The CMC is an internal committee within the FIAU responsible for taking enforcement decisions in accordance with the policies established by the FIAU's Board of Governors. The CMC can confirm or otherwise dismiss the potential breaches reported within a potential breaches letter. It also decides on the most appropriate administrative measure to impose, depending on the type, nature and circumstances of the breach determined. Following a decision by the CMC, the Enforcement Section communicates the decision taken to the SP in writing, together with the reasons supporting the decision, and follows up on the decision and any directives issued.

The CMC is composed of the Director, Deputy Director, Head of the Enforcement Section, a Legal and International Relations officer not below the grade of senior officer, and an Enforcement Section officer not below the grade of senior officer, and not being the officer presenting the case to the CMC. Quorum requires three members including the Director or Deputy Director and an officer from the Enforcement Section.

The Committee decides on the most appropriate administrative measures to impose, ensuring that these are **proportionate, effective, and dissuasive**. Proportionate refers to a range of enforceable measures which can be applied according to the severity and impact of the breach, with the aim of ensuring that the measure is commensurate to the breach. Effective means that the measure applied is sufficient and adequate to the extent that it promotes compliance by the subject person against whom it is imposed and deters the subject person from performing the same breach in the future. Dissuasive refers to the extent to which an administrative measure can deter non-compliance by other subject persons.

Compliance Monitoring Committee process

1. Reviews general information provided by the subject person
The business operations of the SP, including the products offered, type of customers serviced and jurisdictions exposed to.
The size of the subject person in terms of turnover, number of customers, and where appropriate, transactions processed.
2. Considers the Risk Assessment Results
3. Reviews any other relevant information resulting from the examination
The complexity of the transactions received/effected by the customers.
The material impact of the failures both on the SP and the jurisdiction.
The level of regard portrayed by the SP to its AML/CFT obligations.
The cooperation demonstrated, both before and after the examination
The sample size of files selected in the case of a compliance examination.
4. Assesses details found in the Compliance Report
Details of the Potential Breach(es) Identified, assessing the extent to which any such breaches are considered serious, systematic and, or repetitive.
Is finding appropriately explained?
Is finding corroborated by evidence?
Is the correct Regulation quoted?
5. Reviews the representations provided by the subject person
Were representations sufficient and relevant?
Was evidence provided by the subject person relevant and sufficient?
Self-imposed remedial actions implemented, being implemented or committed to implement.



The Committee may impose one or more of the following administrative measures:

An administrative penalty.

A directive requiring a SP to take remedial action to address shortcomings.

A written reprimand in lieu of a pecuniary fine in the case of minor breaches of AML/CFT obligations.

A request to a SP to terminate a business relationship when, based on the findings identified, it determines that the relationship exposes the SP to extreme ML/FT risks.

Notification of findings to the relevant regulatory authority together with appropriate recommendations for any action deemed appropriate.

Administrative measures imposed by the CMC together with a summary of the facts leading to the imposition of the measure are published by the FIAU on its website. When a pecuniary fine does not exceed €50,000 the publication is made in anonymous form and when an administrative measure is appealed, a note about the appeal is also published. A note on the outcome of the appeal is also published when this is decided. Publication serves the purpose of public information, ensuring SP accountability in complying with AML/CFT obligations, as well as being dissuasive to deter non-compliance by other SPs and to raise awareness among SPs about their AML/CFT obligations.



Administering the Centralised Bank Account Register

Launched in October 2020, the Centralised Bank Account Register (CBAR) is a searchable database for bank and payment accounts identifiable by IBAN; safe custody services (SCS); and safe deposit boxes (SDB) provided by credit and financial institutions.

The requirements originate from Directive (EU) 2018/843, commonly referred to as the 5th AML Directive, and Directive (EU) 2019/1153 on the use of financial and other information. These were transposed into local legislation via the Centralised Bank Account Register Regulations (CBAR Regulations). As part of the local transposition, the FIAU has been vested with the power to establish and administer CBAR.

The register is accessible exclusively to the FIAU and other designated national competent authorities for the purposes of **preventing, detecting, investigating or prosecuting** money laundering, associated predicate offences, funding of terrorism or any other serious criminal offence.

As stipulated in the CBAR Regulations, designated users from the following authorities are eligible to access CBAR directly:

Financial Intelligence Analysis Unit

Malta Police Force

Asset Recovery Bureau

Commissioner for Revenue

Sanctions Monitoring Board

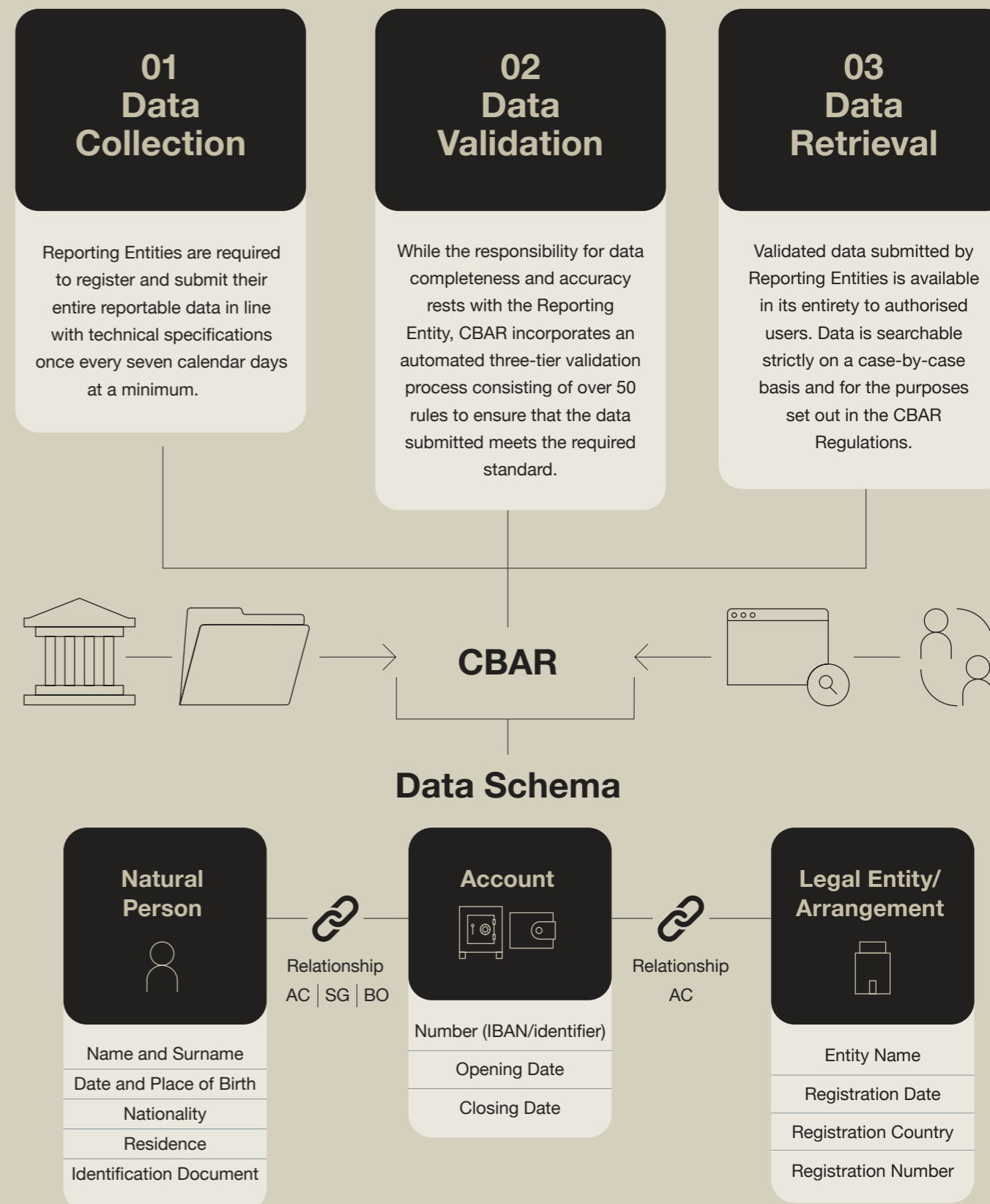
Security Service

All subject persons eligible under the CBAR reporting regime (i.e., licensed institutions issuing bank and payment accounts identifiable by IBAN, providing Safe Custody Service (SCS) and Safety Deposit Boxes (SDB)), submit the required data electronically on a weekly basis. Data consists of account details and details on natural persons, legal entities and legal arrangements involved with the accounts in the capacity of account holders (AC), signatories (SG) and beneficial owners (BO).

The CBAR Team within FIAU's Data Management & Analytics section is responsible for the day-to-day administration of the system and product ownership, including:

- Coordinating efforts in data collection and data integrity.
- Regulating access and use amongst competent authorities.
- Analysing requirements to maximise CBAR's potential.

The high-level CBAR process





Legal Affairs

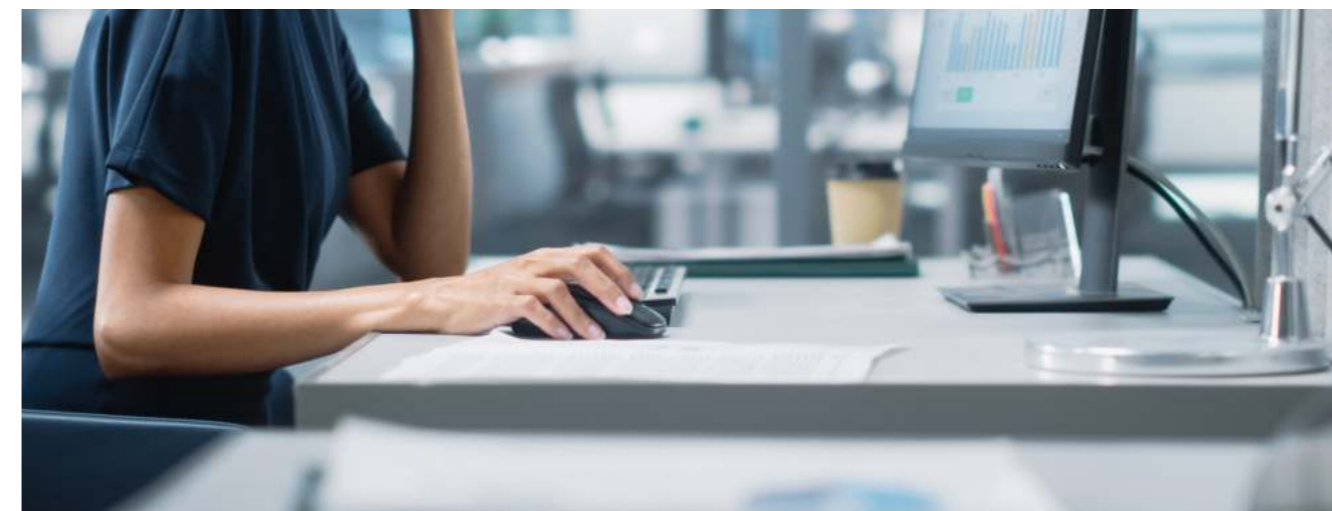
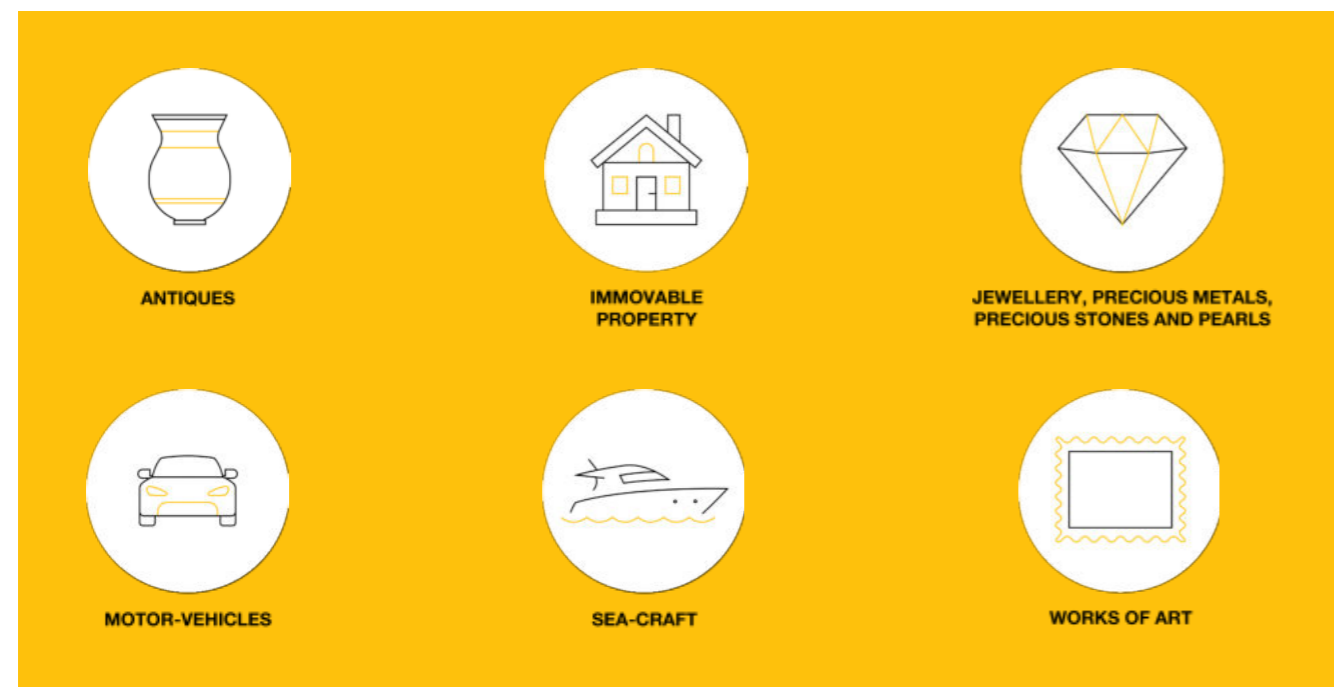
Legal matters are handled by the Legal Affairs Section. Two teams, namely the Legal and International Relations Team and the Guidance and Outreach Team provide internal legal support to FIAU staff and assist also external stakeholders, including SPs. The Legal and International Relations Team is primarily involved with the drafting of legislation and other legal documentation mainly related to the transposition and implementation of EU Directives and the requirements of other EU legal instruments and international standards. Officers from the Legal and International Relations Team actively participate in meetings, working groups and committees of European and other international fora and are responsible for the negotiation and conclusion of Memoranda of Understanding with foreign counterpart FIUs and other national competent authorities.

Guidance & Outreach

This team provides training, guidance and assistance to subject persons, other stakeholders and FIAU staff as necessary. The purpose is primarily to assist subject persons to understand their AML/CFT-related obligations, to communicate the FIAU's expectations when it comes to their implementation, and to foster and improve a stronger culture of compliance. The Guidance and Outreach Team supports other FIAU Sections in their efforts to communicate with and train subject persons in matters related to their AML/CFT obligations.

Monitoring compliance with the Use of Cash (Restriction) Regulations

This function which is conducted by the Cash Restriction Section consists in the oversight of the implementation, and the monitoring and enforcement of compliance with the requirements of the Use of Cash (Restriction) Regulations. These regulations restrict cash payments in relation to high value assets, such as immovable property, motor vehicles, seacraft, jewellery, art and antiques. The main purpose of these restrictions is to reduce the possibility of using cash to purchase property or other expensive and luxury items, which is a relatively easy way to launder money obtained from illicit activities such as drug trafficking, corruption, and tax evasion. Large cash payments make it possible to convert proceeds of crime into assets (such as jewellery, precious metals and stones, and other luxury items) that can then be enjoyed, transferred, or sold, including across borders. In this manner, illicit cash is laundered with no money trail being left.



Support Functions

Strategy, Policy & Quality Assurance

This section was set up in Q4 2020. It facilitated a bottom-up approach to the formulation of a strategic plan in support of the new Vision and Purpose statements. The section helped capitalise, on diverse perspectives, variety of thought leadership, subject-matter expertise, and tenured experience to come up with a road map for the next four years. Next up is the facilitation of the tactical and practical requirements to put the plan into motion, constantly monitoring to ensure alignment, ability, architecture, and agility in achieving desired outcomes.

The Quality Assurance (QA) team focuses on evaluating and improving the effectiveness of risk management, control, and governance processes. It works with management to review systems and operations aimed at identifying how well risks are managed, whether right processes are in place and whether procedures are being adhered to. Reviews also help identify areas where efficiencies or innovations might be possible.

The QA role is organised as an ongoing programme of review and advisory activity based on the strategic needs of the organisation.

Training & Development

The FIAU places a strong emphasis on the training and development of its staff, recognising that a highly skilled and knowledgeable team is essential for effective financial crime prevention. In 2022, FIAU took several initiatives to support the professional growth of its staff, including the appointment of an officer responsible for managing the training and development unit. The role involves the coordination with international bodies and leading training providers, such as OLAF, EBA, ERA, EUROPOL, ACAMS, ICA, FATF, AMLP and local training providers to identify relevant courses and workshops, both locally and abroad, which are beneficial to FIAU staff.

The Unit also offers bespoke training that is tailored to the agency's specific needs and requirements. FIAU officers participated in more than 160 different training programmes and on average, each officer participated in at least 4 of them. The FIAU encourages its staff to pursue professional qualifications and offers support for staff members to enrol in recognized courses and certification programs. In 2022, **more than 30 employees applied for FIAU Sponsorship** with studies on Data Science, Computer Science, Psychology of Work, Trusts Law and Management, Business Administration and mostly on Anti-Money Laundering & Terrorism Funding.

Through these efforts, the FIAU ensures that its staff remains abreast with the latest best practices and techniques in financial crime prevention, allowing them to deliver high-quality services to the financial industry and the public.



Corporate Services

All aspects of corporate services are provided by the Corporate Services Section. This section provides support services for the FIAU's financial planning and management, human resources management, procurement of goods and services, and the upkeep and maintenance of the office premises. The Corporate Services Section has three main sub-sections:

Finance & Administration

This team mainly deals with the FIAU's administrative and financial requirements, including the preparation and management of accounting records, budgets and forecasts and liaison with the FIAU's external auditors. It is also in charge of the day-to-day administrative duties including general correspondence, payment of invoices, management of supplies, supervision of contractual obligations, travel arrangements, and other administrative tasks.

Procurement

The role of this team is to ensure that Public Procurement Regulations are adhered to when purchasing supplies, works and services for the FIAU. The main tasks include issuing calls for quotations and tenders, evaluating bids, preparing the supporting documentation, obtaining the necessary approvals, and concluding contracts with the successful bidders.

People, Performance & Culture

This sub-section is responsible for the recruitment of employees; payroll; employee management, including ensuring the team's well being; induction training for new employees; coordinating internal and team building events. Furthermore, this team is responsible for the formulation and updating of related policies as necessary. Health and safety training of staff also falls within the remit of this sub-section.

Technology & Analytics

The Technology and Information Security function alongside the Data Management and Analytics function within the FIAU serve as the digital backbone of the Unit. The FIAU relies heavily on technology to conduct its functions efficiently and effectively. Processing and analysis of data, access to databases, use of search engines and exchange of information across secure platforms are some of the daily operations that require technological support. FIAU intelligence is highly sensitive and confidential and requires the highest level of protection through the implementation of secure technological solutions. The Technology and Information Security support function is crucial in providing all IT needs, the critical infrastructure and security measures, and to ensure that all systems are well maintained, updated regularly and all related protocols are in place.

The Data Management and Analytics support function is in turn tasked with the administration of the Centralised Bank Account Register; the management and governance of data, and the analysis of data across different domains to support in the compilation of statistics and understanding of ML/FT risks.

Programme Management

The principal function of the Programme Management support function is to manage and coordinate all projects which the FIAU embarks on. These projects typically originate from the FIAU's national and international obligations and from the Vision and Strategy for 2023 – 2026 which was launched in November 2022. The main project undertaken during 2022 was the coordination of all aspects related to the completion of the FIAU's new office premises at Trident Park that will accommodate the ever-increasing staff complement. In this regard, the Programme Management Team worked closely with the Corporate Services team on the budgeting and procurement aspects of the project and with the Security and IT team to design, develop and implement state-of-the-art physical and information security systems, and IT network infrastructure. The Programme Management Team was also engaged in the drafting of the FIAU Strategy, primarily to compile a high-level plan on how the strategic goals and objectives are to be achieved through the execution of a number of projects, each achieving a specific goal or set of goals.



Communications & PR

The role of the Communications & PR is wide reaching. It has both internal and external reach. The new Vision and Strategy places a strong focus on the internal communications function to strengthen the cross-sectional knowledge, cohesion, coordination and understanding. External communications and PR places the focus on outreach, knowledge dissemination, raising awareness of the FIAU's work, why it is important to society at large and how each and every one of us has a role to play in compliance. There is also a focus on education to instil and strengthen a compliance culture in both current and future subject persons.

Whilst the Communications & PR section typically has the more traditional roles of social media content generation and management, production of the annual report, press relations, event coordination and branding, the FIAU's management see the role as more far reaching and diverse. In fact, for the first time during 2022, the FIAU stepped into various secondary schools both state and church, with a two-fold purpose. Whilst supporting career promotion and awareness, it is also used as an opportunity to educate on the FIAU's 'Purpose', and the importance of the Unit's work to fight crime, through combatting money laundering, financial crime and funding of terrorism.

Also, for the first time in 2022, the Unit was present at the Institute of Business, Management & Commerce (IBMC) Career Expo. Another first was taking part in MCAST's Fresher's Week. The aim is to continue to be involved in various career fairs and increased outreach through schools.

CHAPTER

03

Why We Do It

3.1 Our Purpose

3.1 Our Purpose

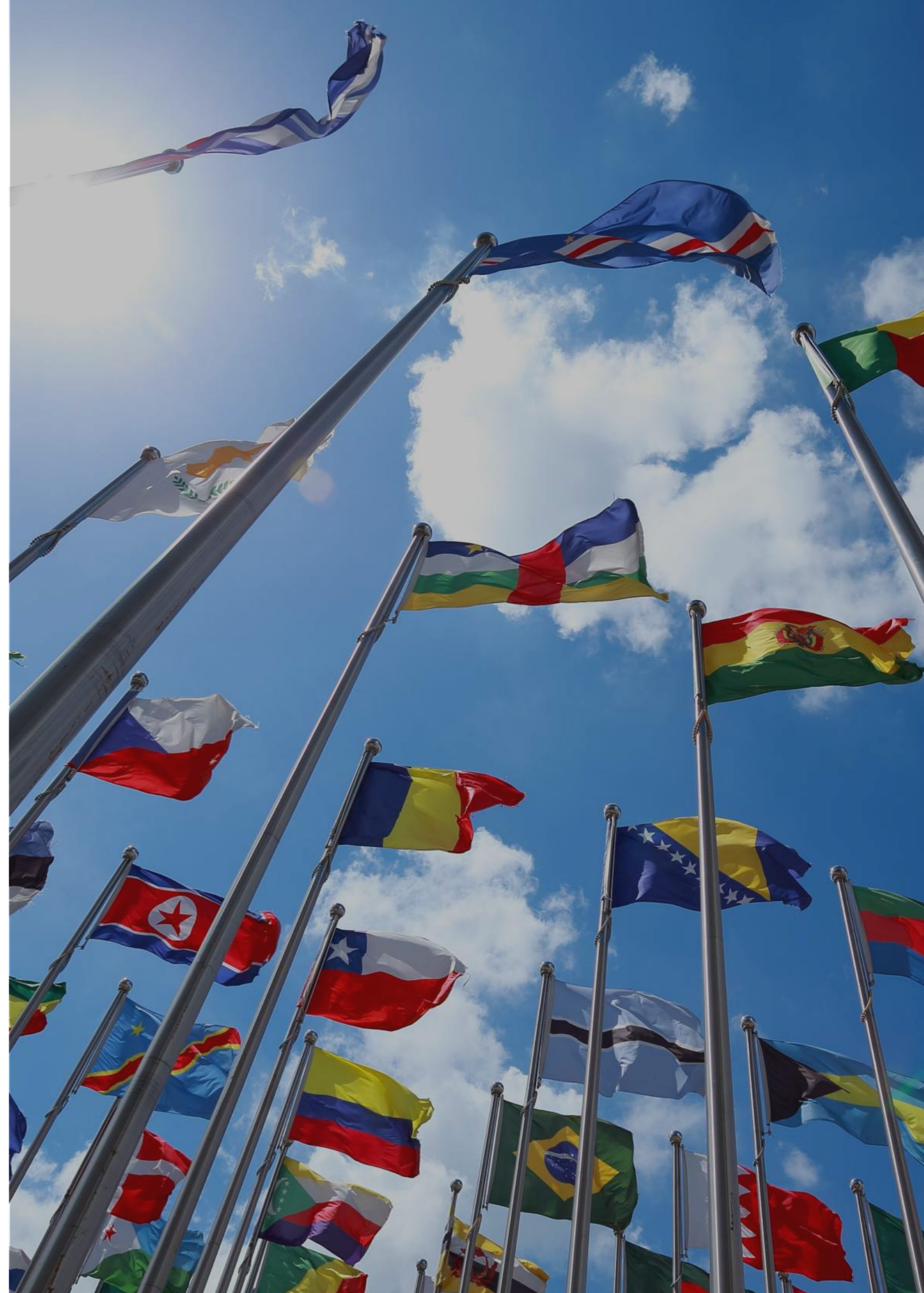
The FIAU was established 20 years ago as Malta's financial intelligence unit and as the AML/CFT supervisory authority. It started small and since then has grown exponentially in every way, to be able to effectively perform the various functions that have been assigned to it over the years. This growth has been supported by major investments in human and technological resources in recognition of its critical role in the fight against money laundering, proceeds generating crime and funding of terrorism.

The FIAU's purpose goes beyond carrying out the functions that have been assigned to it by law. The aim of the FIAU is to safeguard Malta's financial system from criminal abuse and to do everything in its power to ensure that the financial system is used legitimately by society in general and by the business community. By combatting money laundering, financial crime and the funding of terrorism the FIAU not only protects Malta's financial system but seeks to uphold Malta's reputation and safeguards the wellbeing of society.

This is the FIAU's mission, which it seeks to carry out with the cooperation of subject persons and together with other local and foreign competent authorities, whom the FIAU recognises as partners. However, to successfully carry out its mission and to achieve its purpose, the collective effort of all stakeholders is required. Success largely depends on the contribution of each stakeholder. The failure of one undermines the entire effort.

The fight against money laundering, financial crime and the funding of terrorism is a global one and the FIAU has a role to play within this bigger international effort. Even this global fight requires a collective effort to achieve some measure of success. Therefore, what the FIAU does, and how well it does it, has an impact on the effectiveness of the international fight against ML/FT. The importance of the global fight against money laundering is underlined by estimates given by the **United Nations Office on Drugs and Crime (UNODC)** which indicate that **between 2 and 5% of global GDP, anything between 715 billion and 1.87 trillion Euros, is laundered each year.** The FIAU must contribute to this global fight.

The aim of the FIAU is to safeguard Malta's financial system from criminal abuse and to do everything in its power to ensure that the financial system is used legitimately by society in general and by the business community.





Though geographically small, Malta has a significant financial services sector, and a thriving gaming industry and real estate sector. These areas of financial and business activities are exposed to international financial transactions and unless properly supervised can provide fertile ground for criminal abuse on an international scale. This is where the FIAU, the MFSA, the MGA and other stakeholders, particularly the MPF are required to cooperate, not only between themselves but also with their international counterparts to ensure that Malta does its part in the global fight against money laundering and other financial crime. The FIAU is committed and has made it part of its mission and strategy to play a leading role in fulfilling Malta's international obligations.

As a member of the EU and an active player in the global network to fight money laundering and funding of terrorism, Malta is required to implement the EU anti-money laundering Directives and all other AML/CFT international standards. The FIAU plays a leading role in ensuring that these directives and standards are implemented and complied with. The FIAU therefore, together with other stakeholders is tasked with ensuring that Malta complies with its international legal AML/CFT obligations.

The purpose of the FIAU, as part of a collective effort is:

- To safeguard the integrity of the financial system from criminal abuse and contribute to financial stability.
- To ensure that the financial system serves the legitimate expectations of society and the business community.
- To protect the Maltese economy.
- To contribute to the reduction of proceeds generating crime.
- To safeguard public safety and the wellbeing of society.
- To safeguard the reputation of Malta as a responsible and trustworthy financial centre.
- To ensure, together with other stakeholders, that Malta complies and implements its international AML/CFT legal obligations.
- To contribute to the international fight against money laundering and other financial crime.

CHAPTER

04

How We Do It

4.1 Key Facts & Figures

4.2 International &
Local Engagement

4.3 Guidance
& Outreach



4.1 Key Facts Figures

Intelligence

During 2022, and in line with the FIAU’s strategy for the coming years, the Intelligence Analysis Section continued to grow and as at year end boasted a team of 36 employees. This growth enabled the section to further enhance its operations to ensure that the intelligence received by the Unit, which is increasing on a yearly basis, is processed, and disseminated to the FIAU’s relevant domestic and international counterparts in a timely manner whilst still maintaining the high level of quality the FIAU is known for.

The Unit is also working on new ways in which to further improve its processes including exploring available options with IT tools that will enable the semi automation of certain processes. Members of the section engaged in numerous meetings and workshops throughout the year with both national and international stakeholders to explore options which will enable the FIAU to maintain, as well as enhance the quality of its work whilst ensuring that the increasing volume of incoming intelligence is handled in an efficient manner. You can read more about the Unit’s international engagements further on in this section.

The workload has continued to increase, as clearly demonstrated by the data collected in 2022 and represented in the following charts and tables.



Table 1 – Suspicious Transaction Reports received by sector

Type of reporting entity	2019	2020	2021	2022
Remote Gaming Companies	1,445	2,485	4,822	5,049
VFAs	8	61	411	965
Credit Institutions	962	1,975	873	942
Financial Institutions – Electronic Money	22	115	191	565
Financial Institutions – Payment Services Providers	35	95	244	271
Casino Licensees	34	56	138	129
Company Service Providers	49	65	79	72
Investment Services Licensees	24	28	47	56
Auditors	16	21	36	53
Accounting Professionals	8	20	38	48
Remaining subject persons	92	169	189	209
Supervisory Authorities	83	77	142	167
Competent Authorities	0	8	8	60
FIAU generated cases	35	32	105	154
Total reports for the year	2,813	5,207	7,323	8,740

The increase in suspicious reports was once again evident with a **19% increase** over the previous year. It was also positive to note that following various outreach initiatives with the sectors, a general increase in reporting was registered throughout most sectors with a noteworthy increase seen in reports from accounting professionals and auditors.



64% of reports featured natural persons only, while 36% featured at least one natural and legal person.

The 8,740 reports received or generated by the FIAU during 2022, were in relation to 11,492 natural persons and 3,384 legal persons¹. In comparison to 2021, these figures show a 5% increase in the number of legal entities about which a report was received. This in turn is a reflection on the outcome of the various outreach initiatives aimed at different sectors throughout 2022, to boost the number of reports received and stressing the need for quality reporting.

Table 2 – Type of persons subject to suspicious reports

Type	2021	2022	2022 Count
Natural persons reported	82%	79%	10,798
Legal entities reported	18%	21%	2,942

Natural Persons
(an individual about whom a suspicious report was received)

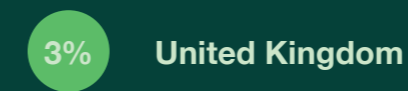
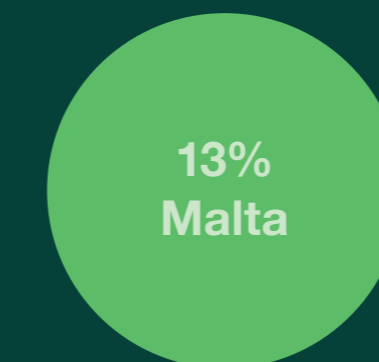
77%

Legal Persons
(an organisation or entity about which a suspicious report was received)

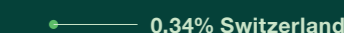
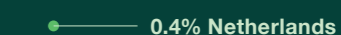
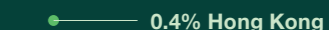
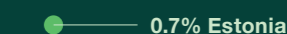
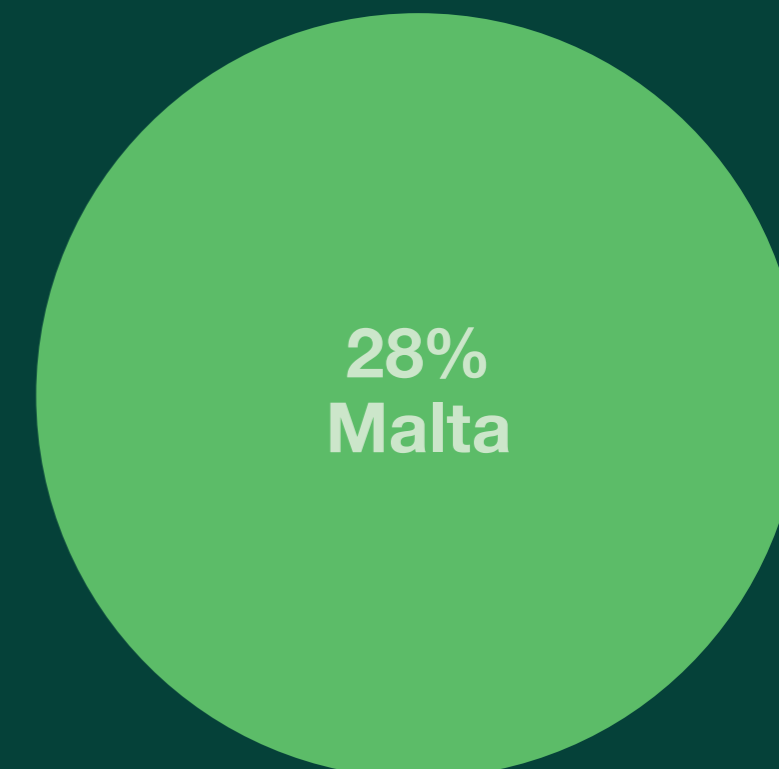
23%

Chart 1 – Top 10 countries - Natural and Legal Persons about who a suspicious report was received by country of origin

Natural Person



Legal Person*

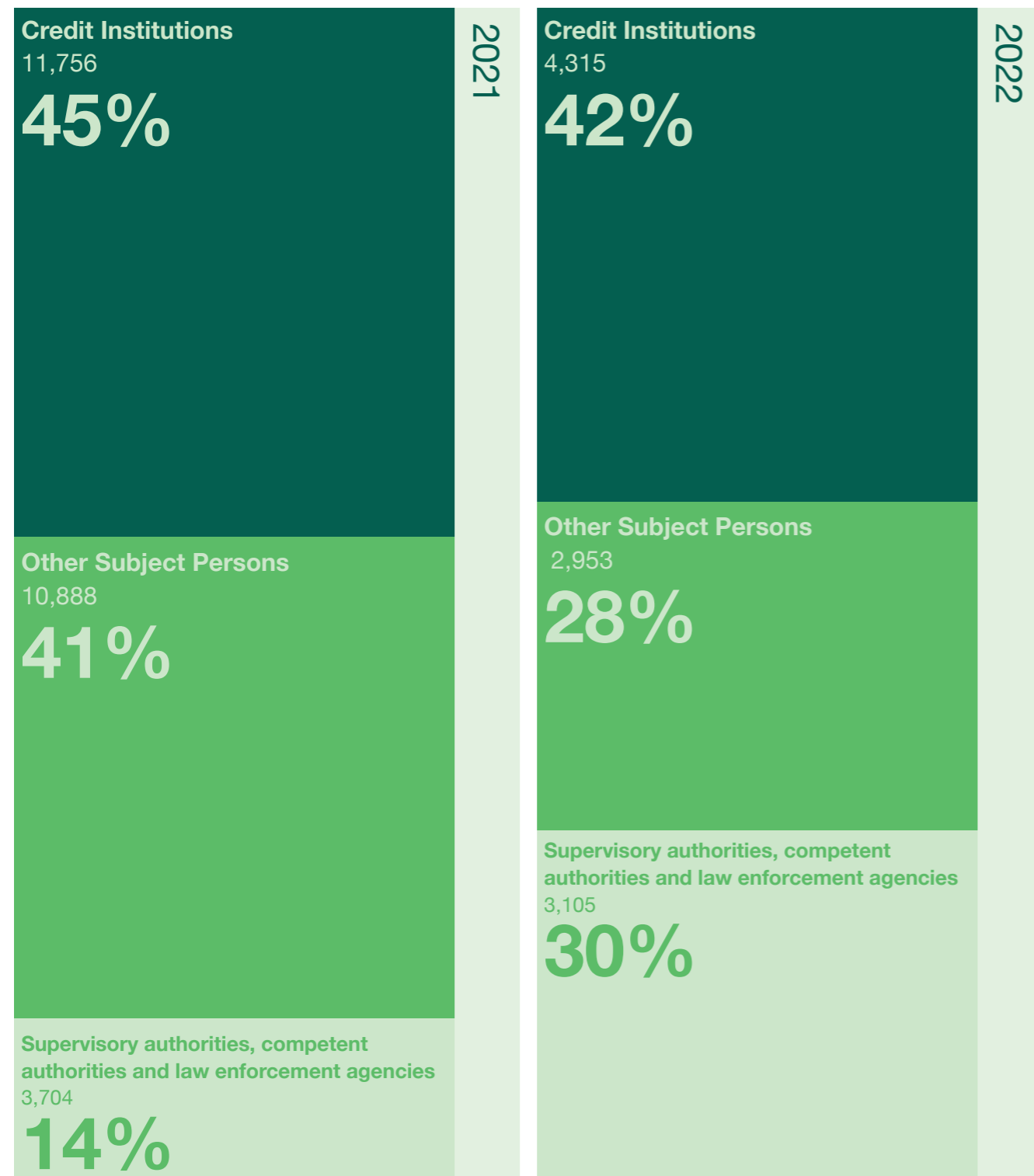


¹ Reports may concern two or more natural and legal persons. In addition, the number of natural and legal persons quoted are not unique and one person or entity may have been subject to more than one report.

* Where necessary these figures have been rounded down or up to the nearest percentage.



Chart 2 – Requests for Information sent to Maltese subject persons, supervisory and competent authorities made by the FIAU



The year under review saw a significant decrease in the number of requests for information sent by the FIAU to reporting entities. This downwards trend is mainly due the increased use of the CBAR system. The register reduces the need to send out requests to credit and financial institutions for the sole purpose of identifying whether a subject holds a relationship with that entity. The Register has created the facility to send out more targeted requests for information, which is having a positive effect not just on the timeliness of an analysis but also on the use of resources by the FIAU and reporting entities.

The constant increase in the number of suspicious reports handled by the Unit, created the need for a sustainable risk-based approach. This ensures that the balance between handling large volumes and ensuring that quality and prioritisation are not compromised is maintained. A risk-based system was implemented in 2022 and will be enhanced during 2023.

Table 3 – Total disseminations by year

Year	Number of disseminations
2019	1,842
2020	4,535
2021	8,443
2022	7,901

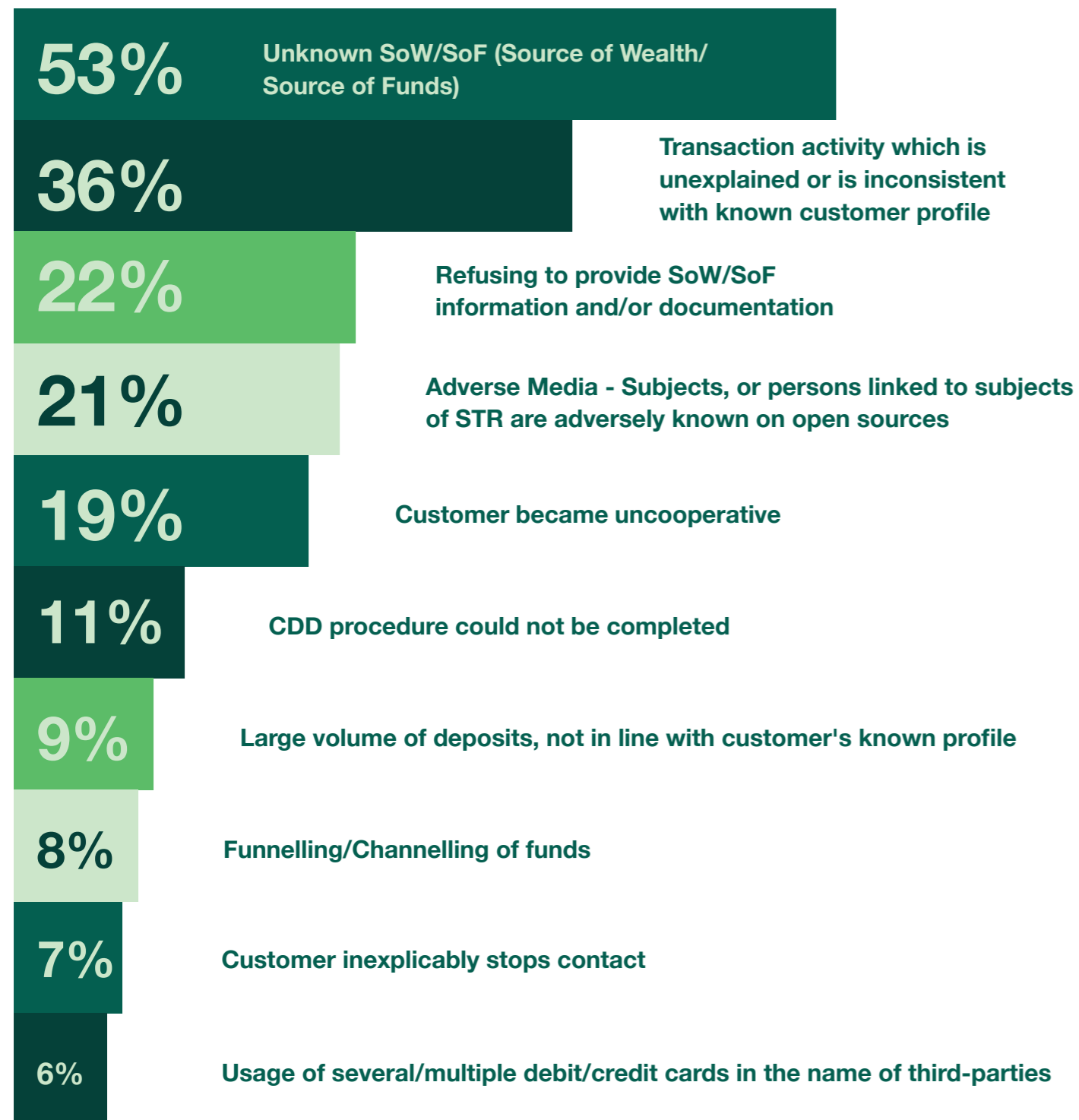
Table 4 – Total disseminations by year to counterparts

Counterparts	2021	2022
Foreign Counterparts	7,295	6,953
Commissioner for Revenue	703	401
Malta Police Force	328	343
Supervisory Authorities and Other Competent Authorities	117	204
Total	8,443	7,901

The FIAU constantly ensures that when disseminating information priority is always given to the more important and material cases, especially in light of the constant increase in suspicious reports. The reduction in disseminations is due to the implementation of this risk based approach.

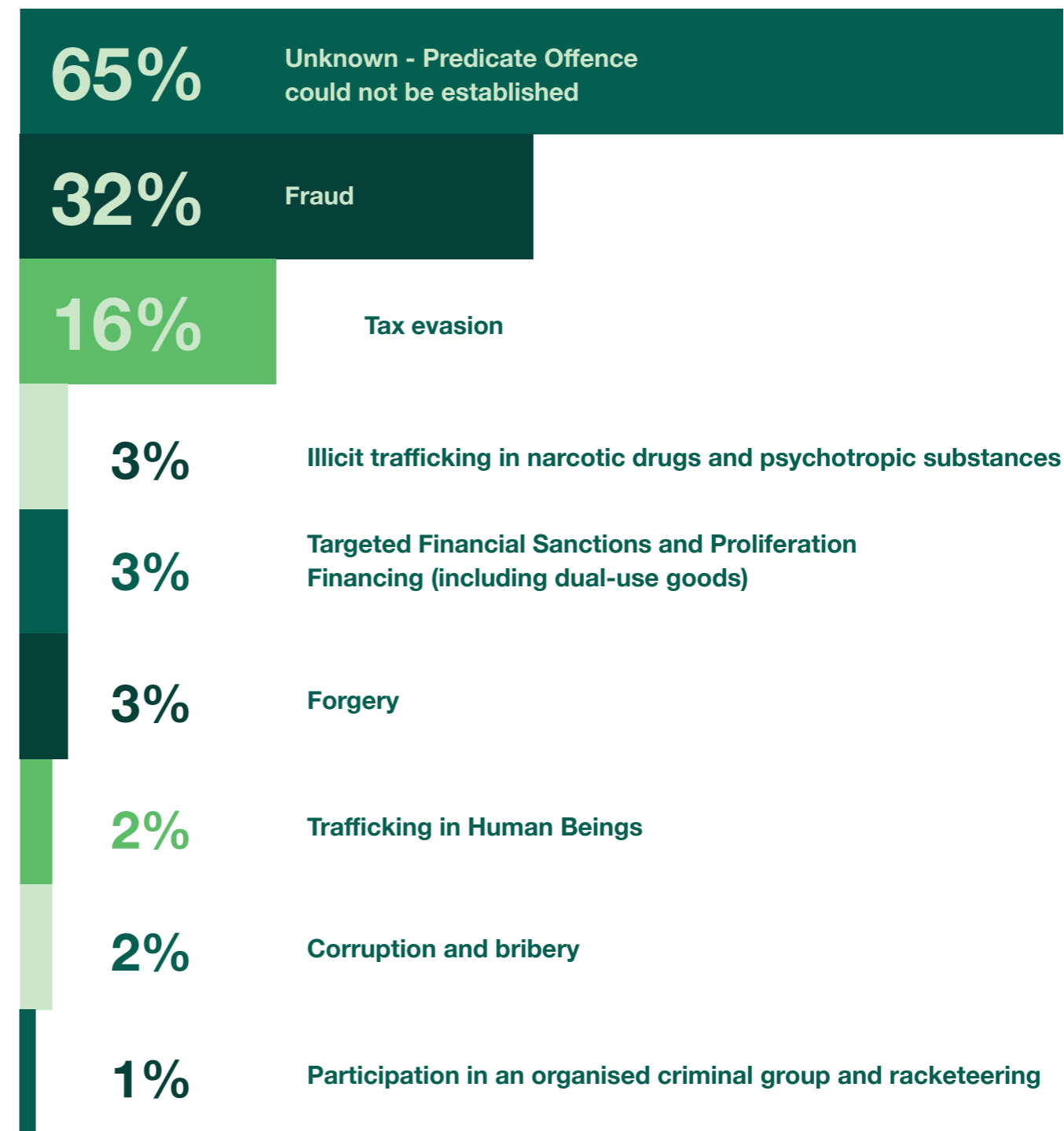


Chart 3 – Main reasons for suspicion reported*



*The percentages do not add up to 100% since a report may have more than 1 predicate offence, or reason for suspicion. By way of example, if a report includes both tax evasion and fraud as predicate offences, the offence would be statistically represented in both offences.

Chart 4 – Main suspected predicate offences reported*



*The percentages do not add up to 100% since a report may have more than 1 predicate offence, or reason for suspicion. By way of example, if a report includes both tax evasion and fraud as the predicate offences the offence would be statistically represented in both.



Supervision

The supervisory function of the FIAU is exercised by this Section mainly revolve around monitoring compliance by subject persons with their AML/CFT obligations, and engaging with them to take remedial action to address compliance shortcomings.

Risk Assessment

The Risk Team was responsible for co-ordinating the risk assessment process of SPs in 2022. The risk profile is used to guide the supervisory teams in the effective implementation of risk-based supervision. To achieve this, the Risk Team is responsible for formulating and applying the FIAU's risk assessment methodology through the collection, analysis and assessment of data extracted from various sources. This includes, but is not limited to, information from SPs [through the Risk Evaluation Questionnaire (REQ)], information provided by prudential regulators, information provided by the FIAU's Intelligence Analysis Section, any material adverse information obtained from public and non-public sources, local and foreign supervisors and whistle blowers, results from compliance examinations and the results from the National Risk Assessment (NRA) and Supranational Risk Assessment (SNRA).

Risk data sources

Risk data sources

- Subject Person self assessment (REQ)
- Prudential Regulator Information
- Information from the FIAU's Intelligence Analysis Section
- Results of Examinations
- NRA information
- SNRA information
- Adverse information

The Risk Team carries out an annual risk assessment, which is used to determine the yearly supervisory cycle that subsequently defines the method through which SPs are to be supervised. The Risk Team is also responsible for monitoring any changes undergone by each SP's risk profile throughout a typical supervisory cycle.

Enhancements to the Compliance and Supervision Platform for Assessing Risk (CASPAR) and the Risk Evaluation Questionnaire

The CASPAR system is a standardised technological solution designed to facilitate the dynamic risk assessment, risk data collection and risk scoring process. Since the launch of the CASPAR system in 2019, the system has undergone several enhancements. In 2022, updates to CASPAR focused on making the REQ more user friendly for SPs. In this context the questions and guidance provided with each REQ were updated with the aim of making the questions easier to understand for the SPs.

The Risk Team introduced new REQs for Class A, Class B and Class C Company Service Providers (CSPs), as well as split the REQs for Insurance Brokers, Insurance Agents, and Virtual Financial Assets (VFAs) service providers.

Results of the 2022 Risk Assessment

The information regarding the inherent risks faced by each SP, as well as the control measures in place to mitigate the risks, was collected by the Risk Team through the use of the CASPAR system. Once all the necessary risk data was collected, a residual risk score for all the active SPs was derived using the custom-built risk scoring algorithm in-built in CASPAR. SPs were then classified as posing either a "low", "medium" or "high" ML/FT risk. In 2022, the Risk Team received:

1,918 REQs submitted by SPs
(the submission rates by sector are outlined in Table 5)

Table 5 – REQ submission rates

Sector	2020	2021	2022
Credit Institutions	100%	100%	100%
Financial Institutions	100%	96%	96%
Investments	93%	96%	97%
Insurance	96%	98%	98%
VFA Agents	100%	100%	100%
VFA Service Providers	N/A ²	N/A ³	100%
Remote Gaming	95%	88%	91%
Land Based Casinos	100%	100%	100%
TCSPs (Firms)	98%	98%	98%
TCSPs (Individuals)	95%	98%	100%
Other DFNBP (Firms)	95%	93%	99%
Other DFNBP (Individuals)	90%	95%	97%

² No REQ was available for VFA Service Providers in 2020.

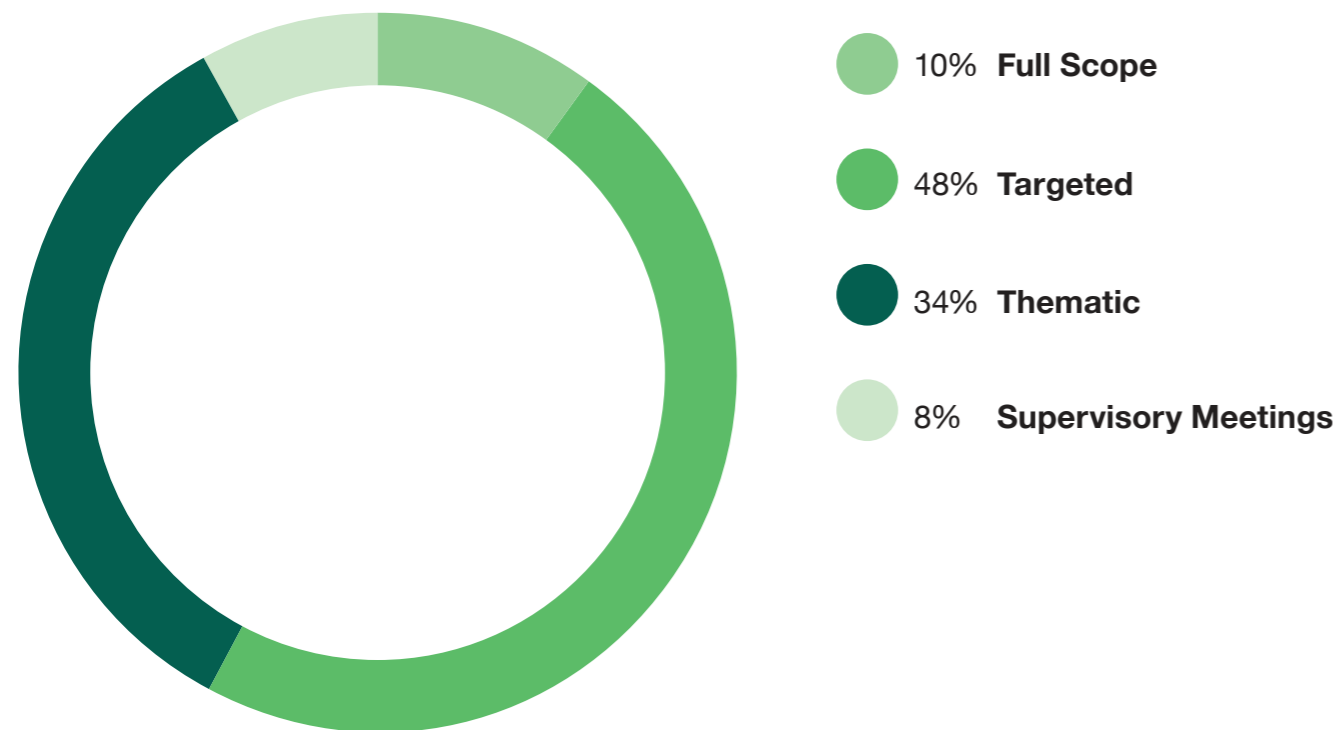
³ No REQ was available for VFA Service Providers in 2021.



As laid out in Article 16(1)(c) of the PMLA, the FIAU’s functions include monitoring compliance by SPs with AML/CFT obligations. One of the methods employed by the FIAU to do this is through compliance examinations. The methods of supervision will also vary based on the risk posed by the SP, and would include the following:

- Full Scope Examinations** Cover the entire spectrum of risks and activities of the SP from an AML/CFT perspective, producing a holistic view of its AML/CFT framework at a point in time.
- Targeted Examinations** Are carried out with the aim of reviewing one or more specific aspects of the AML/CFT framework of a SP, thereby gaining a better understanding of the aspects under review.
- Thematic Examinations** Are a particular type of targeted examination, which focus on a particular theme (e.g., types of transactions) in a group of peer institutions, which allows for a better understanding of particular typologies
- Follow-up Examinations** Are aimed at assessing the progress in implementing remedial actions or corrective measures prescribed by the FIAU further to a previous examination
- Supervisory Meetings** Are held to ensure that the low-risk rating assigned to the SP is an accurate representation of the level of ML/FT risk the SP is exposed to and to understand the level and quality of controls implemented by the SP.

Chart 5 – Compliance examinations carried out in 2022 by type⁴



⁴ No follow-up examinations were carried out in 2022.

Although during the year’s supervision cycle the focus was on targeted and thematic examinations, the Section also performed full scope examinations on financial institutions, insurance companies, investments firms and VFAs.

The Supervision Section carried out a number of targeted examinations across the various sectors of subject persons. The primary aim of the examinations performed on credit institutions was risk assessment, customer profiling and transaction monitoring. Those on investments firms, remote gaming operators and VFAs were mainly focused on customer profiling and transaction monitoring obligations. The targeted examinations performed on accountants, auditors, notaries and real estate agents were focused on beneficial owner (BO) obligations and enhanced due diligence (EDD) for complex and unusual transactions.

BO thematic examinations on CSPs⁵ focusing on beneficial ownership-related obligations were also carried out. Furthermore, it carried out examinations on the gaming sector as part of a larger thematic exercise, bringing together teams from the FIAU and the MGA that conducted examinations on remote gaming operators. The examinations held were focused on timing of risk assessment, customer profiling, identification and verification, and ongoing monitoring.

Supervisory meetings were held with the property sector. These were used to validate REQ replies submitted by notaries and real estate agents and to assess the design of their AML/CFT framework, as well as to engage with the industry and maintain an ongoing understanding of their business.

Table 6 – Number of compliance examinations/supervisory meetings carried out

Sector	2020	2021	2022
Credit Institutions	8	2	4
Financial Institutions	10	7	6
Investments	42	39	33
Insurance	1	2	3
VFAs	0	8	2
Gaming Operators ⁶	58	14	26
TCSPs	70	64	35
Other DNFBPs	17	16	29
Total	206	152	138

⁵ Between September and December 2021, 40 thematic examinations focusing on beneficial ownership-related obligations were carried out on CSPs.

⁶ Including one examination on a Land Based Casino.



Remediation

- This team is responsible for reviewing remediation plans submitted by SPs to address the shortcomings in the AML/CFT compliance programmes, identified during compliance examinations. The Team is also responsible for monitoring and following-up on the implementation of remedial action plans, while offering support to SPs to ensure that they effectively address the shortcomings. The Team also assists in formulating guidance to SPs by providing feedback on examination outcomes and remediation initiatives.
- The Remediation Team also administers the Supervision Committee. The Committee determines the outcome of compliance examinations that did not result in the identification of serious, systematic and/or repetitive breaches of AML/CFT obligations. In these scenarios, the Supervision Committee may decide the following:

Outcome A

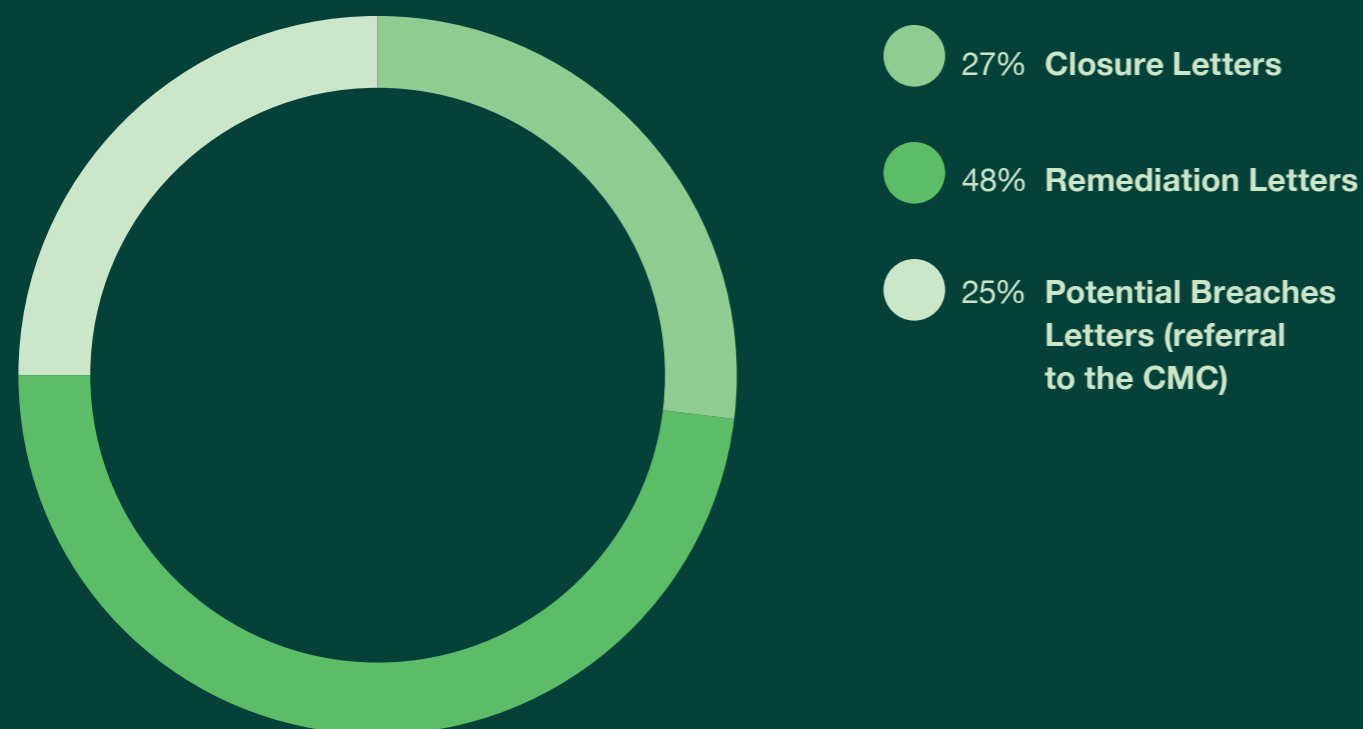
To send a closure letter to the SP in cases where no/minor shortcomings in the AML/CFT compliance programme are identified during a compliance examination. This letter is also issued when the SP demonstrates that sufficient remedial action had already been implemented to address any gaps identified by the supervisory team and may include some recommendations for the SP to further strengthen its AML/CFT control framework.

Outcome B

To send a remediation letter to the SP officially requesting it to implement a remedial action plan within a stipulated timeframe to address minor shortcomings identified during a compliance examination.

When the outcome of compliance examinations of SPs results in the identification of serious, systematic and/or repetitive breaches of AML/CFT obligations, the case is referred to the Compliance Monitoring Committee (CMC).

Chart 6 – Letters issued by type



During the year under review the Supervision Committee held 191 meetings to discuss the outcome of compliance examinations or the result of remedial action plans implemented by SPs. The following table shows the number of meetings held by sector and the total number of letters issued to SPs.

Table 7 – Meetings⁷ held by the Supervision Committee and total number of letters issued to SPs

Sector	Number of meetings held	Number of closure letters issued following compliance examinations	Number of closure letters issued following implementation of remedial action	Number of remediation letters issued	Number of potential breaches letters issued (referral to the CMC)
Credit Institutions	4	0	0	4	1
Financial Institutions	7	0	0	8	0
Investments	47	1	0	12	8
Insurance	5	1	0	3	0
VFAs	6	0	1	0	1
Gaming Operators	40	0	1	12	7
TCSPs	52	5	20	17	7
Other DNFBPs	30	4	2	5	8
Total	191	11	24	61	32

⁷ The number of meetings held does not necessarily correspond to the total number of letters issued, as some of the letters were issued following the supervision meetings held in 2021 or are still in the process to be issued.



Quality Control & Cooperation

The Quality Control and Cooperation Team was set up in 2021, however due to the growth and increased complexity of the FIAU’s supervisory operations, it was split into two different teams, in 2022.

Quality Control Team

This team is responsible for the ongoing monitoring and enhancement of the quality of supervisory related processes. The team assists the section to effectively carry out its functions and ensures quality and cohesion between the different supervisory teams. Furthermore, it strives to coordinate and ensure harmonisation of the AML/CFT supervisory work carried out by the MFSA and the MGA on SPs licensed by these authorities. This team reviews and updates the section’s policies and procedures and provides training to the section’s officers about any updates in the supervisory processes to maintain the harmonisation of the supervisory processes.

Cooperation Team

This team is responsible for instilling cooperation on AML/CFT aspects at both a national and international level. At a national level, the focus of the team is cooperation, through Memoranda of Understanding, with other local authorities such as the MFSA, the MGA, the SMB, the MBR, and the Central Bank of Malta. At an international level the Cooperation Team engages with foreign supervisory authorities to promote cooperation on AML/CFT matters. This takes place through participation in supervisory colleges and the exchange of supervisory practices, as well as exchange of information on specific SPs. Another form of cooperation is represented by participation in The European Banking Authority (EBA) Standing Committee on AML/CFT (in line with Article 9 of Regulation (EU) No. 1093/2010).



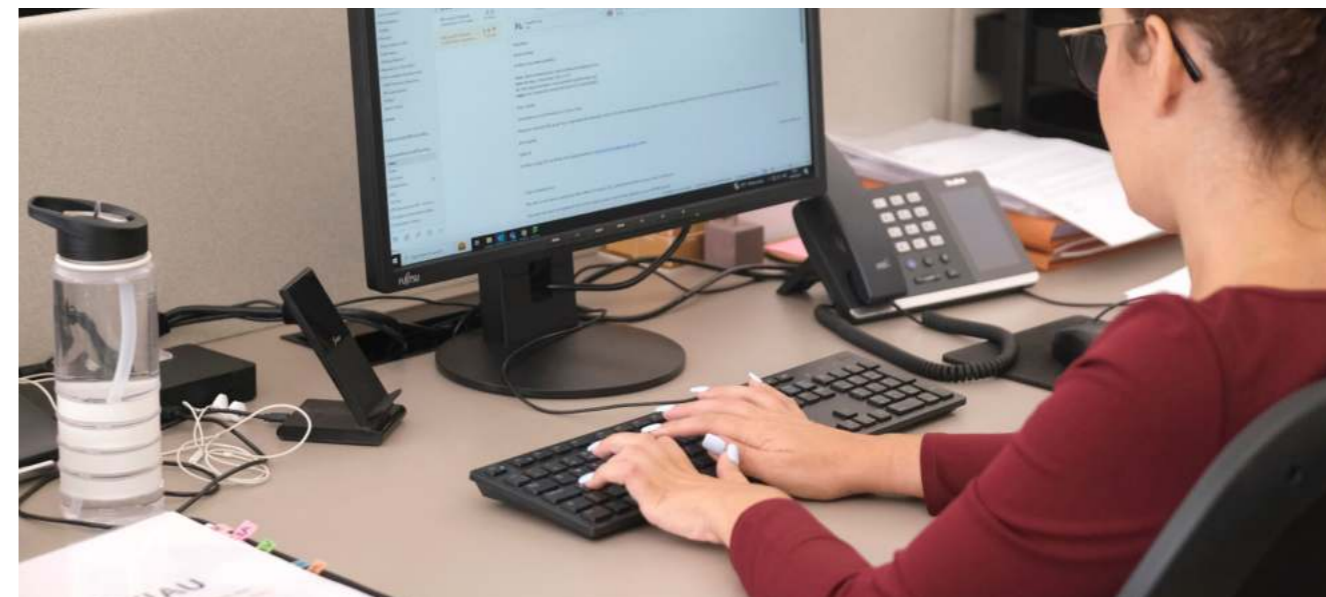
5. FUTURE PLANS

Further thematic compliance examinations

The Supervision Section will focus on carrying out further thematic examinations to better understand the level of compliance of SPs on various AML/CFT topics. These examinations will cover a range of sectors including gaming, CSPs and the property sector. The results obtained from each examination will be collected and analysed to determine the main findings, best practices and areas for improvement. Guidance documents summarizing the findings will be issued to SPs. These types of examinations are an effective way to monitor SP’s compliance and at the same time provide guidance on ways how SPs can further improve their AML/CFT control framework.

Expanding the Remediation Team

The expansion of this team is on the agenda for the future. This team is responsible for determining, following-up and ensuring the adequate implementation of SP’s remedial actions. In 2022, several SPs committed to take action to remedy or further strengthen their AML/CFT control framework. This team is therefore crucial in effectively guiding and assisting SPs in this area. Moreover, it represents one of the main elements in ensuring risk-based supervision.



Enforcement

In 2022 the staff complement in this section continued to increase. This growth permits the Section to deal more effectively with cases of non-compliance with AML/CFT obligations by SPs. The increased enforcement actions and their publication, increases compliance and raises awareness about SPs’ AML/CFT obligations. In this respect the FIAU seeks to ensure that administrative measures are **effective, proportionate, and dissuasive**.

Where potential breaches are reported, the Enforcement Section presents the case to the CMC, together with all supporting documentation and evidence for the CMC’s consideration. The CMC met over 60 times to discuss various cases, including cases concerning potential breaches in relation to:

- AML/CFT compliance deficiencies identified during the review.
- The submission of the annual REQs.
- The obligation on SPs to reply to requests for information made by the FIAU.
- The obligation on SPs concerning the Subject Person Profile on CASPAR.

During the year under review, the Enforcement Section issued **33 administrative measures**¹. Of these, **22 were published on an anonymous basis**, meaning that the compliance examination had either resulted in a directive to take remedial action, or in an administrative penalty that did not exceed €50,000. The total amount of administrative penalties imposed during 2022 amounted to **€3,355,443**. Further details on the administrative measures implemented are illustrated in **the ensuing tables and charts on pages 66 to 73**.

¹ an administrative measure may contain a combination of a pecuniary fine, a reprimand and a directive



Table 8 – Administrative measures imposed per sector

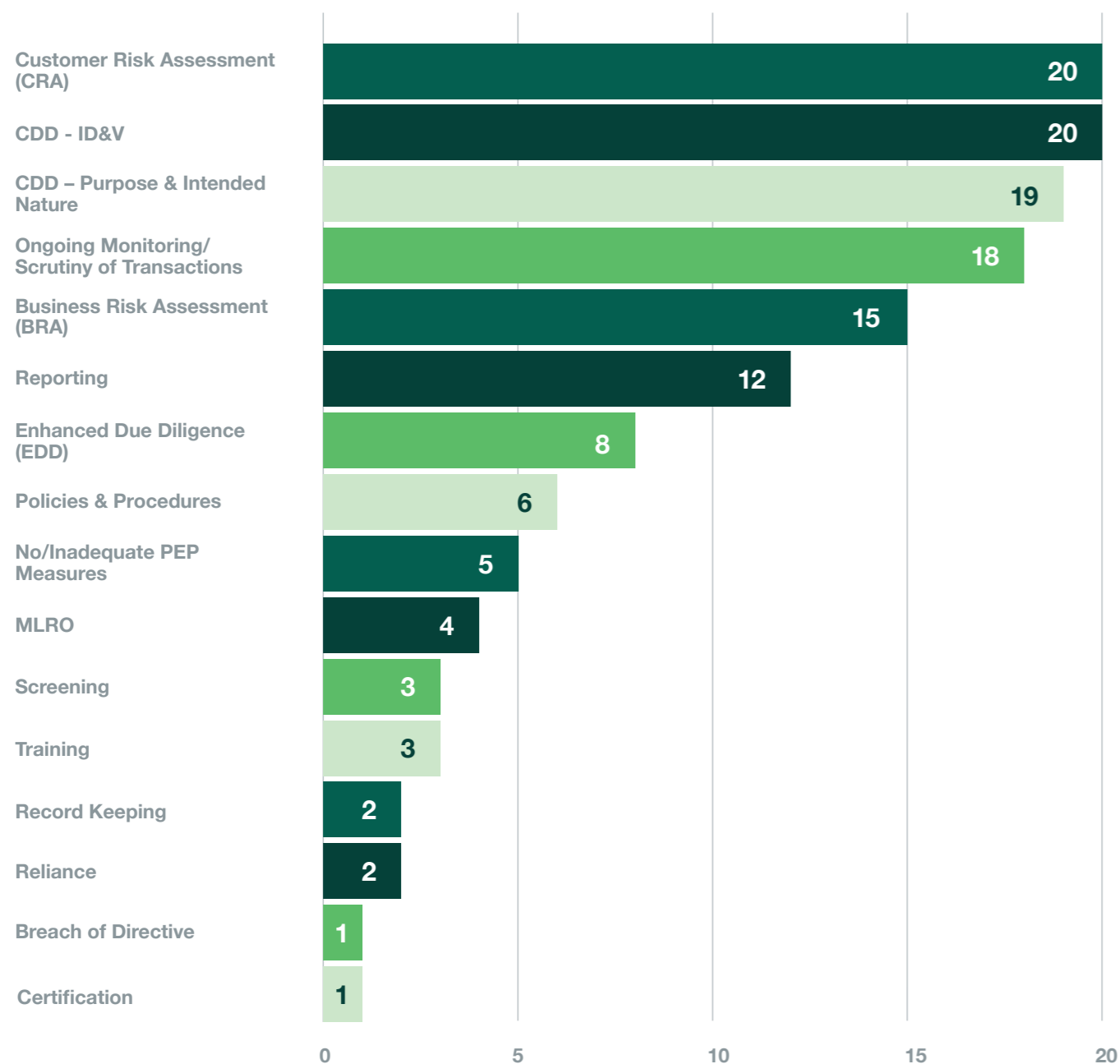
Sector		Administrative penalties imposed per sector following a compliance examination	Number of Directives imposed per sector following a compliance examination
Financial	Credit Institution	€1,163,867	5 (22%)
	Financial Institution	€83,052	1 (4%)
	Insurance	-	-
	Investment Services	€471,580	2 (9%)
	VFA Agents / Service Providers	-	-
Sub- Total: Financial		€ 1,718,499	8
Non-Financial	Accountancy/Audit	€29,607	0
	Advocates	€23,250	1 (4%)
	Gaming	€738,619	2 (9%)
	Notaries	-	-
	Real Estate	-	-
	TCSPs	€433,798	12 (52%)
Sub- Total: Non-Financial		€1,225,274	15
Grand Total		€2,943,773	23 (100%)

Administrative penalties imposed following failure to reply or late reply to requests for information (RFI)	Administrative penalties imposed following failure to carry out periodic reporting or late submissions (REQ)	Administrative penalties imposed following failure to carry out periodic reporting or late submissions (SP Profile)
€7,000	-	-
€92,750	-	-
€750	€4,800	€1,600
€81,200	€14,440	€3,040
€4,000	€2,280	-
€185,700	€21,520	€4,640
€0	€6,200	€1,200
€0	€5,080	€600
€113,800	€38,380	€4,940
€500	€8,920	€1,800
-	€8,700	€2,340
€2,550	€4,800	€0
€116,850	€72,080	€10,880
€302,550	€93,600	€15,520



During 2022 the Enforcement Section evaluated all the enforcement measures taken and identified the most common failures in AML/CFT obligations observed across sectors. Following this exercise a guidance document outlining the most common breaches will be issued in 2023 with the aim of supporting subject persons in their efforts to be fully compliant with their AML/CFT obligations. This adds value to the use of enforcement measures. Further details are illustrated in the ensuing charts and tables.

Chart 7 – Breaches identified across all sectors following a compliance examination*



Total: 139

*These shortcomings are being reported per breach and not per file.

Table 9 – Breaches noted in the financial sector

Detail of the breach	Number of identified breaches following a supervisory examination	Administrative penalties imposed for the breaches identified following a supervisory examination
Ongoing Monitoring/Scrutiny of Transactions	8	€795,687
CDD – Purpose & Intended Nature	7	€379,147
Customer Risk Assessment (CRA)	6	€155,050
CDD - ID&V	7	€3,536
Business Risk Assessment (BRA)	4	€119,844
Enhanced Due Diligence (EDD)	3	€120,751
No/Inadequate PEP Measures	3	€43,119
Certification	1	€0
MLRO	1	€21,067
Policies & Procedures	1	€0
Reporting	1	€80,298
Screening	1	€0
Total	43	€1,718,499



Table 10 – Breaches noted in the non-financial sector

Detail of the breach	Number of identified breaches following a supervisory examination	Administrative penalties imposed for the breaches identified following a supervisory examination
Customer Risk Assessment (CRA)	14	€304,536
CDD - ID&V	13	€19,572
Business Risk Assessment (BRA)	11	€185,282
CDD – Purpose & Intended Nature	12	€233,209
Ongoing Monitoring/Scrutiny of Transactions	10	€117,933
Reporting	11	€199,246
Enhanced Due Diligence (EDD)	5	€47,175
Policies & Procedures	5	€24,418
MLRO	3	€41,790
Training	3	€0
No/Inadequate PEP Measures	2	€47,113
Record Keeping	2	€5,000
Reliance	2	€0
Screening	2	€0
Breach of Directive	1	€0
Total	96	€1,225,274

Implementation of Directives to take corrective actions

The aim of a directive to take corrective action is to ensure effective results are actioned following the imposition of an administrative measure. Subject Persons are required to implement a number of AML/CFT measures aimed at driving compliance and enhancing their capabilities to fight financial crime.

Directives may require subject persons to draw up an action plan, with specific action points and target dates for the completion of each action. The extent of the action plan depends on the severity and complexity of the breaches identified. Minor breaches would not require an action plan but rather the taking of prescribed measures to satisfy the legal obligation. Additionally, depending on the extent of the Directive and the seriousness of the failures determined, meetings may be held with SPs to follow up on the implementation of the directive. Follow up action may require the implementation or enhancement of the systems and measures used to mitigate ML/FT risks and the assessment thereof, the provision of customer files for review by the FIAU, and the interviewing of senior SP officials.

The FIAU’s Enforcement Section held various follow-up meetings with subject persons to ensure they remediate shortcomings and to assist them in carrying out their remedial plan after having been served with a follow-up Directive following a compliance examination. **12 Directives** were considered as implemented. A further breakdown of the implemented directives is being illustrated in Chart 8.

Court Litigation

Administrative penalties exceeding €5,000 may be appealed by subject persons within twenty days of being notified of the penalty.

Chart 9 illustrates the number of appeals per sector, filed against the FIAU before the Court of Appeal (Inferior Jurisdiction) between 2018 and 2022. A total of 59 pecuniary fines (53 distinct SPs) have been appealed.

Chart 8 – Implemented Remediation Directives

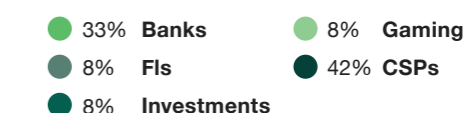
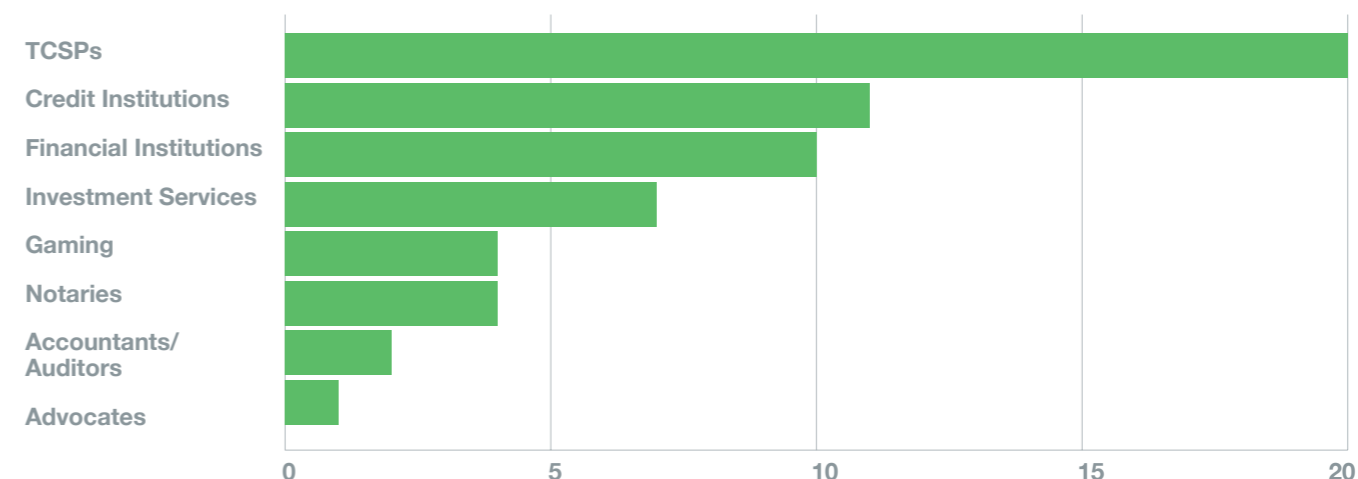


Chart 9 – Number of Appeals





Since the 1st appeal was filed against the FIAU in 2018, 24 cases (22 distinct SPs) have since been decided. In most of the cases the Court **confirmed all the breaches** identified by the FIAU, however, the quantum of the administrative penalty was reduced. The outcome of the appeal on each of the 24 cases is being illustrated in Table 11.

Table 11 – Outcome of Appeals filed against the FIAU before the Court of Appeal (Inferior Jurisdiction) (2018 - 31/12/2022)

Appeal Outcome	No. of Cases	FIAU Fine	Court Revised Fine
All Breaches Confirmed & Quantum of Penalty Reduced	14	€4,437,696	€995,246
All Breaches Confirmed & Penalty Revoked	3	€21,200	€0
All Breaches Confirmed & Quantum of Penalty Confirmed	3	€90,000	€90,000
All Breaches and Penalty Revoked	2	€145,580	€0
Appeal Withdrawn	1	€11,200	€11,200
Some of the Breaches Confirmed & Quantum of Penalty Reduced	1	€110,277	€15,749
Total	24	€4,815,953	€1,112,195

In addition to the appeals from enforcement decisions of the FIAU, a number of constitutional cases were filed requesting the court to declare that article 13(2) of the PMLA and regulation 21 of the PMLFTR which grant to the FIAU the powers to impose administrative fines (that may be considered of a criminal nature), are in breach of article 39(1) of the Constitution which requires that whenever any person is charged with a criminal offence he shall be afforded a fair hearing by an independent and impartial court established by law. None of the constitutional cases filed in 2022 were decided during the year.

Notwithstanding the above-mentioned appeals (as well as constitutional cases challenging the FIAU's power to impose administrative penalties), the FIAU welcomes the fact that a number of subject persons opted not to appeal the FIAU's enforcement decision and focused their efforts, resources, and priorities on remediating their AML/CFT failures and on working closely with the FIAU to remedy their shortcomings within the shortest time possible. This category of subject persons, together with AML/CFT consultants who provided their technical expertise, were crucial to raise the bar of Malta's level of AML/CFT compliance. This approach was paramount to enhance Malta's reputation in the AML/CFT sphere globally, and contributed to Malta's swift removal from the FATF grey list. Efforts by stakeholders to promote effective collaboration and cooperation with the FIAU and other supervisors serves to demonstrate their commitment to the implementation of effective AML/CFT measures.

Table 11.1 – Administrative penalties that have neither been appealed nor challenged by subject persons (2018 - 31/12/2022)

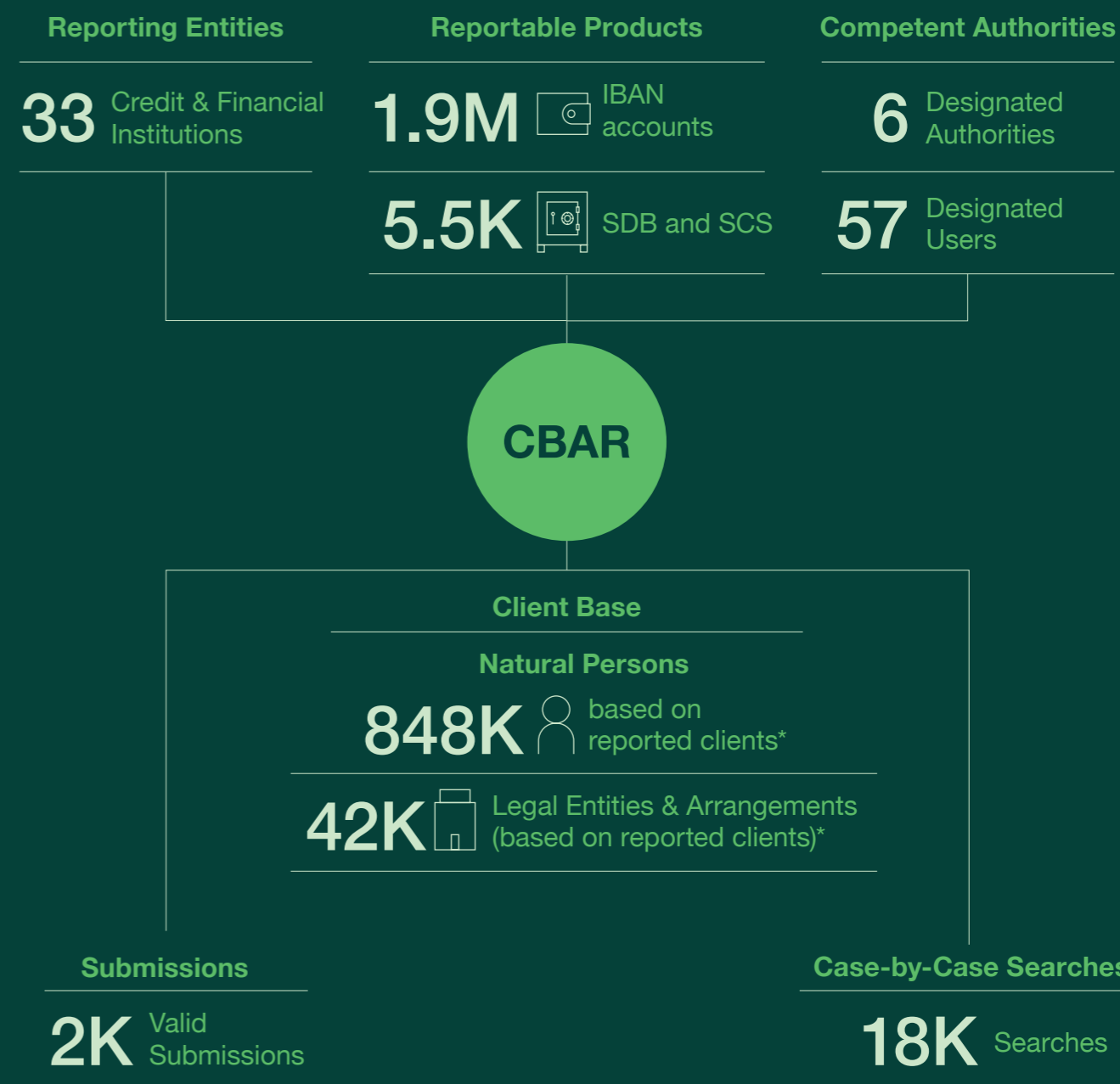
Number of Fines Imposed	Number of Fines Not Appealed	Number of Fines Appealed	Value of Fines Imposed	Value of Fines Imposed which have not been Appealed
579	518	61	€25,310,718	€6,463,974

In 2023 the Civil Court (First Hall) Constitutional jurisdiction decided that article 13(2) of the PMLA and regulation 21 of the PMLFTR breach article 39(1) of the Constitution. The decisions have been appealed.

CBAR

The Centralised Bank Account Register (CBAR), which is a requirement of applicable EU Directives, is a centralised database and retrieval system for all bank and payment IBAN accounts in Malta, safe custody services and safe deposit boxes provided by Maltese credit and financial institutions. The database is hosted and managed by the FIAU and facilitates the fast retrieval of bank account and other information to support the FIAU intelligence function.

CBAR in numbers



*Persons or entities holding a relationship with more than one reporting entity are being counted multiple times in the above statistics for the amount to represent the number of clients across all reporting entities



Cash Restriction

Purchasing high value goods in cash is one of the easiest ways of laundering money obtained from illegal activity. It allows offenders to exchange proceeds of crime into high value or luxury items, leaving no financial trace of the movement of funds.

Malta still relies significantly on the use of cash to make payments. Considering this, Malta introduced the Use of Cash (Restriction) Regulations (S.L. 373.04) on 9th March 2021 with the aim of strengthening the fight against money laundering. The Cash Restriction Section within the FIAU was set up to monitor and ensure compliance with the said Regulations. During 2022 work was carried out primarily to establish policies and set up procedures to enable the Section to carry out its function.

The Regulations prohibit making or receiving payments or carrying out transactions **in cash amounting to, or exceeding €10,000**, when purchasing or selling the below **high-value goods**:

- **Immovable property**
- **Antiques**
- **Jewellery, precious metals, precious stones, and pearls**
- **Motor-vehicles**
- **Sea-craft**
- **Works of art**

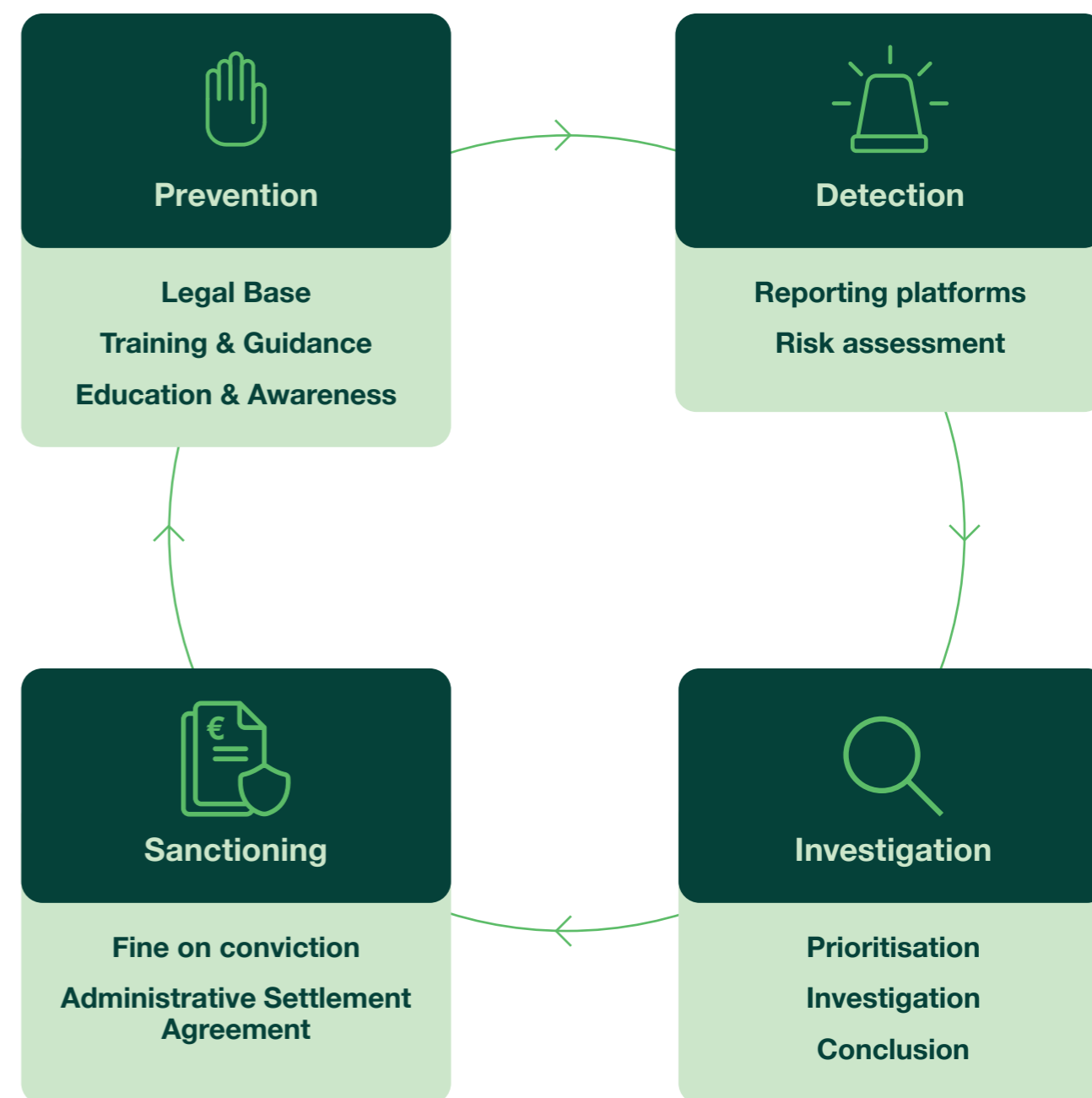
The limit for use of cash when purchasing or selling the items listed above is therefore, €9,999.99.



Policies & Procedures

The Cash Restriction Section set up the policies and procedures which are to be followed in its day-to-day operations. The process involved consultations with other sections within the FIAU as well as discussions with other authorities. This resulted in a better understanding of the best practices adopted by other sections and regulatory bodies and guided the team in laying the foundations for the Cash Restriction Section.

Various measures and initiatives were designed to address four critical components leading to the effective monitoring and enforcement of compliance with the Regulations, namely: Prevention, Detection, Investigation and Sanctioning as depicted in the following diagramme.





The figure on page 77 represents a cycle in which all components work together and are all equally important since one component leads to another. The primary aim is to prevent persons from breaking the law. However, if there is a breach, the Cash Restriction Section has tools and mechanisms in place to detect breaches and to investigate them. Once the facts of a case are established and evidence of wrongdoing is obtained, the Regulations provide for criminal prosecution and for the possibility of an administrative settlement subject to certain conditions.

During 2022 the Cash Restriction Section carried out the following work:

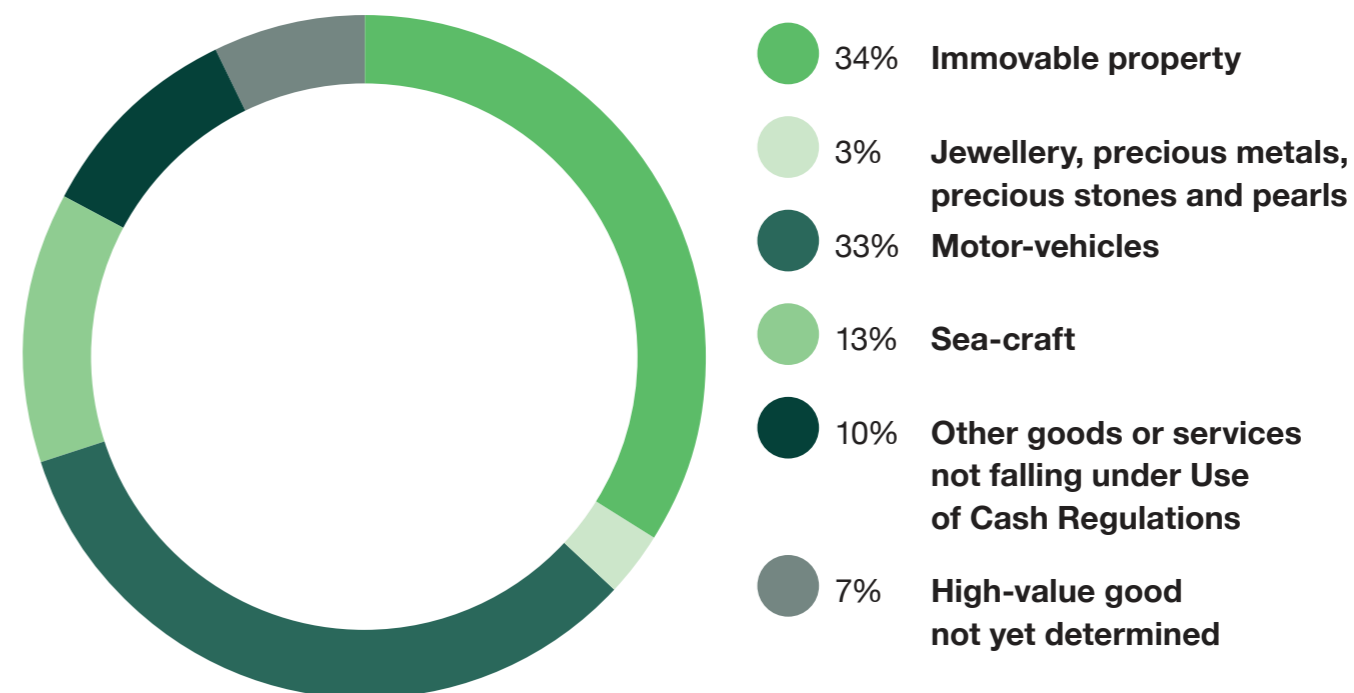
Preventive measures

- Various education and awareness campaigns targeting the public in general, especially traders that are directly affected by the law. The Section worked on online adverts using social media platforms, interviews on local television stations, articles and videos published on local online newspapers, all with the aim of informing what one can or cannot do and how the Regulations benefit society at large. The section intends to keep public awareness and education campaigns ongoing through fresh ideas and new ways to communicate.
- Collaborations with the FIAU's Guidance and Outreach team made it possible for a representative from the section to attend one of the AML/CFT Clinic meetings with the major banks. This encounter was used to explain to banks the purpose of requests for information and how the investigative process works.

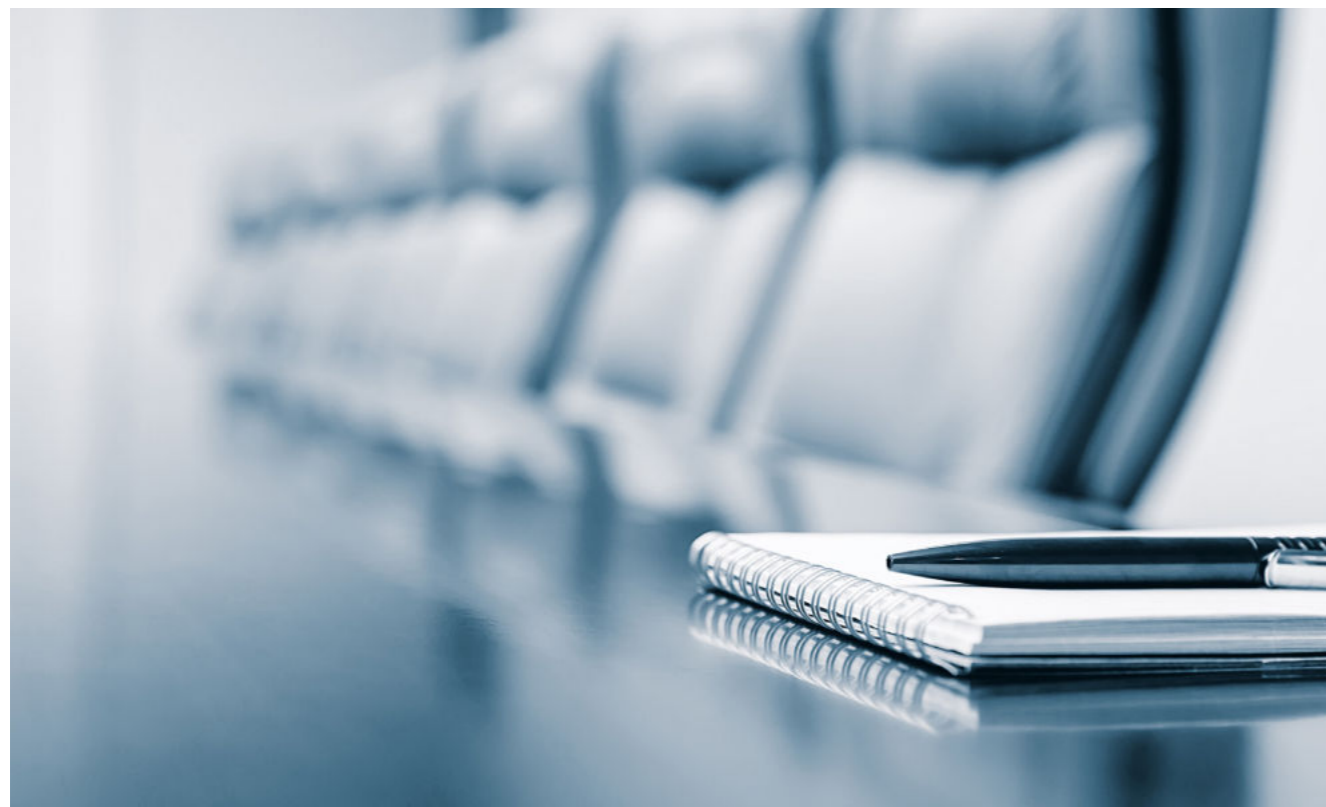
Detection Measures

- The Cash Restriction Section set up secure channels to receive information about known or suspected breaches of the Regulations from subject persons through the goAML reporting platform as well as from external sources i.e. the general public through the online reporting mechanism available on the FIAU's webpage.
- Additionally, the section analyses data obtained from other government entities and proactively identifies transactions which carry a higher risk for further investigation.
- During 2022, the Cash Restriction Section received a number of suspicious cash restriction breach reports relating to various high value goods transactions as presented in the below graphic:

Chart 10 – High-value good categories



Most of the suspicious reports received were related to immovable property and motor-vehicles, with these amounting to 67% of the total cases. These were followed by reports relating to the transfer of seacrafts, making up another 13%. Moreover, 10% of the reports received pertained to other goods or services not falling under the remit of the Use of Cash (Restriction) Regulations whilst 7% of the reports received did not clearly specify to which high-value good the suspicion was being reported. **The reports in relation to jewellery, precious metals and precious stones and pearls contributed to 3% of the total cases.**



Investigative measures

- Access to the necessary investigative tools required to investigate suspicious transactions was obtained, and best practices on how to investigate were established.
- During investigations, additional information may be required to obtain a clearer picture of the case at hand. In view of this, the Cash Restriction Section introduced secure channels with various stakeholders to acquire evidence supporting the facts established.
- The section also set up reporting channels to conclude the investigative process of cases where there is a reasonable suspicion that the Regulations were breached.

Sanctioning measures

- The necessary arrangements with the competent authorities were made with respect to sanctioning. Any person in breach of the Regulations is liable to pay a fine. This may be imposed by a court following criminal prosecution or, in certain circumstances and subject to certain conditions, may be settled administratively in line with the Regulations.

Recruitment

The FIAU is committed to strengthen the section through an increase in the staff complement, which will enable it to effectively monitor and ensure compliance with the Use of Cash (Restriction) Regulations. For this purpose the Cash Restriction Section is currently in the process of identifying and recruiting officials to increase the resources in line with the FIAU's development plan.

4.2 International & Local Engagement

During 2022, the FIAU participated in numerous international engagements which involved FIAU officials from all sections, as speakers in conferences, participants in panel discussions and workshops, EU working parties, training activities and assessment missions. This vast spectrum of events is covered in this section of the annual report.

Local engagement is another very important part of the FIAU's contribution to the fight against ML/FT. This takes place in several different ways, from outright guidance through guidance notes and fact sheets, to organising FIAU driven training events and contributing towards and participating in conferences, workshops and training events organised by stakeholders and subject persons.

The importance of both international and local engagement is recognised within the FIAU's Vision and Strategy for 2023 – 2026, with an emphasis on partnerships, increased efforts, and quality of engagement.



International engagement

Memoranda of Understanding (MoU) EU meetings, Working Groups, Conferences, Training and other events ML/FT are fought on an international scale and across borders. Because of this the Unit needs to have in place the legal instruments to enable it to contribute to the international effort to fight ML/FT effectively.

- An MOU with FIU Taiwan was concluded.
- Negotiations on MOUs with FIU Macao, FIU Kosovo and FIU Anguilla were concluded with the only outstanding matter being the signing of the final document.
- Negotiations on an MOU with Turkmenistan were in an advanced stage.
- Negotiations were started with the European Public Prosecutor's Office (EPPO).



The Unit's Legal Affairs Section specifically handles these matters and in 2022 the following important developments took place to ensure that international exchanges of information and the legal frameworks necessary are well in place. MoU's are important to facilitate the process of requests for international support.

Countries with Memoranda of Understanding in place in 2022

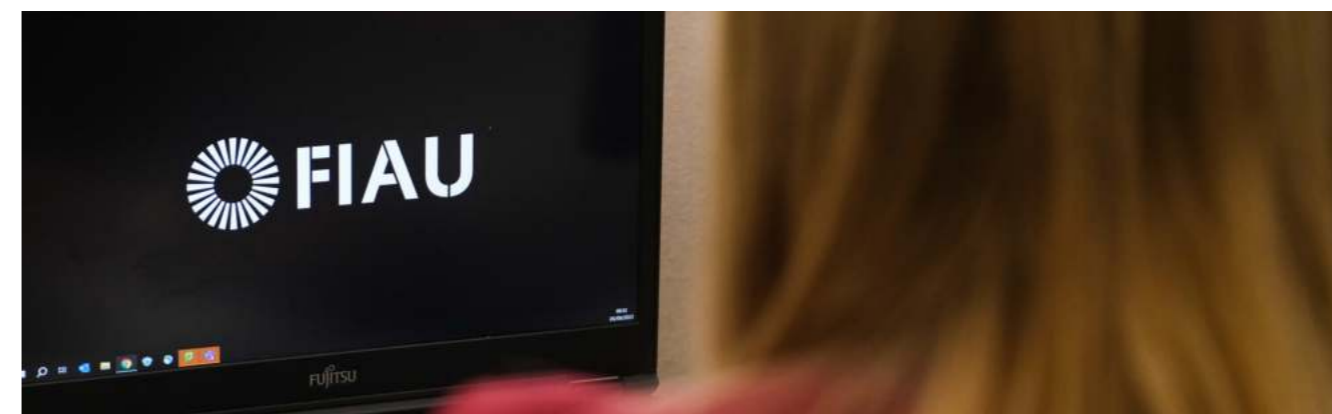
	1. Belgium
	2. Canada
	3. Cyprus
	4. Georgia
	5. Israel
	6. Japan
	7. Latvia
	8. North Macedonia
	9. Monaco
	10. Panama
	11. Romania
	12. San Marino
	13. Slovenia
	14. South Africa
	15. Taiwan (New in 2022)
	16. The Holy See
	17. Tunisia
	18. Turkey
	19. Ukraine
	20. United Arab Emirates

In order to perform its functions effectively the Unit contributes in International Fora. At an EU level the International Affairs team was actively involved in the EU Working Parties focusing on the new AML Package, specifically on the Anti-Money Laundering Authority (AMLA) Regulation, the AML Rulebook Regulation and the AML Directive. This entailed being present and contributing to the discussion during **11 Council Working Parties, providing feedback to 48 Presidency Discussion Notes** and participation in several bilateral meetings with the Member State holding the Presidency of the Council at any given time.

Furthermore, the FIAU represented by its Legal Affairs Section, took part in the 'Coordination Support Mechanism Working Group' set-up under the aegis of the FIU Platform, which sought to develop FIU common positions on specific provisions of the AML Package which are of interest to FIUs. In 2022, there were 32 meetings held online, where the FIAU actively participated. The Legal Affairs Section also assisted in organising a targeted webinar for FIU Platform members in relation to the FIU powers to postpone transactions.

The FIAU is keen to share its expertise with other FIUs and stakeholders, AML/CFT supervisors. whilst also learning from their experiences. Therefore, various officials from different sections participated in visits or exchanges with international counterparts. Whilst other officials of the FIAU have taken more centre stage on the international scene. The list of contributions for 2022 is a long one.

- In the first half of 2022, several FIAU officials participated in exchange visits with Italy and the United Kingdom, during these visits, exchanges of best practices and ideas, operational processes and legal frameworks were shared concerning all areas of the FIAU's role including the receipt and use of intelligence, supervision of AML/CFT frameworks and enforcement of regulatory failures, cash restriction policies as well as the creation and use of the Centralised Bank Account Register.
- In December, a senior official was seconded with the MONEYVAL secretariat in Strasbourg.
- Three senior officials were appointed by MONEYVAL to act as assessors and reviewers in MONEYVAL mutual evaluations.



- An FIAU officer took part in a Council of Europe Workshop related to Risk-Based AML/CFT Supervision where the FIAU was able to showcase the CASPAR system and the FIAU's approach to risk-based supervision.
- The Deputy Director took part in a workshop organised by the EU AML/CFT Global Facility on the topic of 'Beneficial Ownership Registers as new Competent Authorities' while he also participated in a workshop organised by the Council of Europe for Serbian authorities on the Beneficial Ownership Registry.
- An officer of the FIAU took part in an EBA working group on the drafting of the EBA opinion on the ML/FT risks affecting the EU's financial sector.
- In May the FIAU participated in a panel discussion at the 10th AML and Compliance Conference which was organised by the Banking Association for Central and Eastern Europe (BACEE), whereby the importance of effective international cooperation and the use of technology in the fight against financial crime were discussed. The event brought together over 250 delegates from various European countries all having extensive AML experience including some officers from other European Financial Intelligence Units.
- The FIAU participated also in a panel discussion at the 11th AML and Compliance Conference also organised by BACEE. The topics discussed included sanctions, international cooperation and the use of technology in the fight against financial crime. The event brought together over 450 delegates from eastern Europe, mainly from the banking sector, as well as other officers from other European Financial Intelligence Units.
- For the first time ever, the FIAU demonstrated its analytical capabilities using OSINT (open-source intelligence) during the Egmont Plenary. This was held in July in Latvia, with an audience of over 100 delegates from FIUs of multiple jurisdictions worldwide.
- In September, the FIAU held various meetings with the Serbian FIU whilst visiting the Malta Business Registry to discuss the effectiveness of Beneficial Ownership Registries. The FIAU presented various sessions about the different tools it has at its disposal to identify beneficial ownership and how these help to conduct investigations efficiently. Additionally, the concept of Beneficial Ownership concealment was discussed.
- Later in the year during October, a group of FIAU officers, from the Intelligence Analysis Section, together with the Head of the FIAU's Legal Affairs Section, conducted a three-day onsite visit to the FIU in Montenegro. The event was organised by the Council of Europe, as part of its joint programme with the European Union, named "Horizontal Facility II". One of the programme's aims is the strengthening of institutional capacities, in relation to AML and CFT, in Southern Europe.
- In November, intelligence analysts attended a workshop, in Vienna, organised by UNODC on international money laundering networks. It was attended by 54 officers from LEAs, international bodies and FIUs from across the globe. The scope of the workshop was to share experiences and insights into financial disruption techniques and the latest trends in money laundering, using case studies.



- The FIAU, through the Supervision and Enforcement teams, attended nine colleges established by EU AML/CFT supervisors in relation to Maltese SPs operating within a cross-border group. Supervisory colleges are an important part of international cooperation, as set out in guidelines on cooperation and information exchange published by the three European Supervisory Authorities - the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Securities and Markets Authority (ESMA)).
- The FIAU was represented at the highest level in six meetings organised by the EBA Anti Money Laundering Standing Committee (AMLSC). The meetings included updates by the EBA and the European Commission, as well as discussions among member states on a variety of AML/CFT matters. The main objective of the Committee is to co-ordinate measures to prevent and counter the use of the financial system for ML/FT purposes and to prepare all draft decisions to be taken by the EBA.

- As in previous years, the FIAU participated and/or contributed within several working groups at an international level. Amongst these, the working groups of the EU Financial Intelligence Units Platform, as well as of the Europol Financial Intelligence Public Private Partnership and the Egmont Group of Financial Intelligence Units. The FIAU is in ongoing participation in three of the working groups established by the EU Financial Intelligence Units Platform. Each one has its own mandate, ranging from improving cooperation and technical capabilities, to presenting common views on EU proposed legislation in the AML/CFT realm.
- The FIUs of the EU member states and Norway, together with Europol form part of an established data-sharing agreement that allows the dissemination of intelligence via the FIU.net secure platform.
The FIAU is one of the 9 Member States which form the FIU.net Advisory Group. It actively participates in the working groups to ensure that this system is improved and developed in the right direction based on the requirements of the investigation analysts. The main working groups that the FIAU participates in, are:

- Infrastructure and Security initiatives
- Connectivity improvements
- Security assessments
- Infrastructure monitoring
- Development of a new system
- New features to be included in the next generation of FIU.net

- The UNODC (developers of goAML) and the Latvian FIU in 2022 organised a landmark meeting for all goAML users. During this meeting FIAU officials shared experiences with colleagues and had the opportunity to look into new ways of improving goAML, which is the core analytical system used by many FIUs, by looking at the best practices of other users.

- A group of EU FIUs using goAML and other advanced technological systems were hosted by the FIU of Finland to discuss various aspects of this system and how it can be used to further integrate processes that provide more efficiency within the analytical function. The FIAU participated in this workshop to share its expertise and to discuss possible improvements that can be implemented.
- In December, an FIAU representative participated in a round table discussion organized by the Economic Crime and Cooperation Division within the Council of Europe. The round table focused on the evolving trends and challenges in the AML/CFT area. The topics of discussion were supervisory technology and the importance of data quality, the role that bank account registers play in enhancing transparency of legal persons, and how can technology be leveraged to improve the accuracy and reliability of these registers.
- In November, the Unit organised an international conference which brought together administrators of bank account registers and retrieval systems from across Europe for the first time. Over 80 delegates from 21 different countries met to discuss bank account registers and how they can assist in AML/CFT-related activities. Additionally, the agenda also featured other focused sessions delivered by key experts in the field, including:

- The use of registers to improve effectiveness under FATF standards.
- The use of registers in National Risk Assessments.
- Challenges of regulatory reporting as experienced by the reporting entities.
- Primer into IBANs and risks posed by virtual IBANs.
- Lessons learnt from the BORIS interconnection.

This initiative was endorsed by the European Commission who also participated actively during the two-day conference.



Exchanges of information.

In line with EU legislation, European Supervisory Authorities' expectations and the FATF Recommendations, the FIAU co-operates and exchanges information with other competent authorities in the EU.

The Unit cooperates extensively with both its national and international counterparts. This cooperation takes place both spontaneously, in cases where the FIAU is in possession of information, which is of relevance to one or more of its counterparts, and also upon request.

Although the need to have a MoU in place is not a requirement under Maltese Law to exchange information with foreign counterparts, this may in fact be a prerequisite in other jurisdictions. As a result, over the years the FIAU has entered into 20 MoUs with foreign FIUs (list available on pg. 82).

International cooperation was and remains a very important aspect of the FIAU's analysis function. During 2022, intelligence reports which were received spontaneously from foreign counterparts led to 26 in-depth analyses.

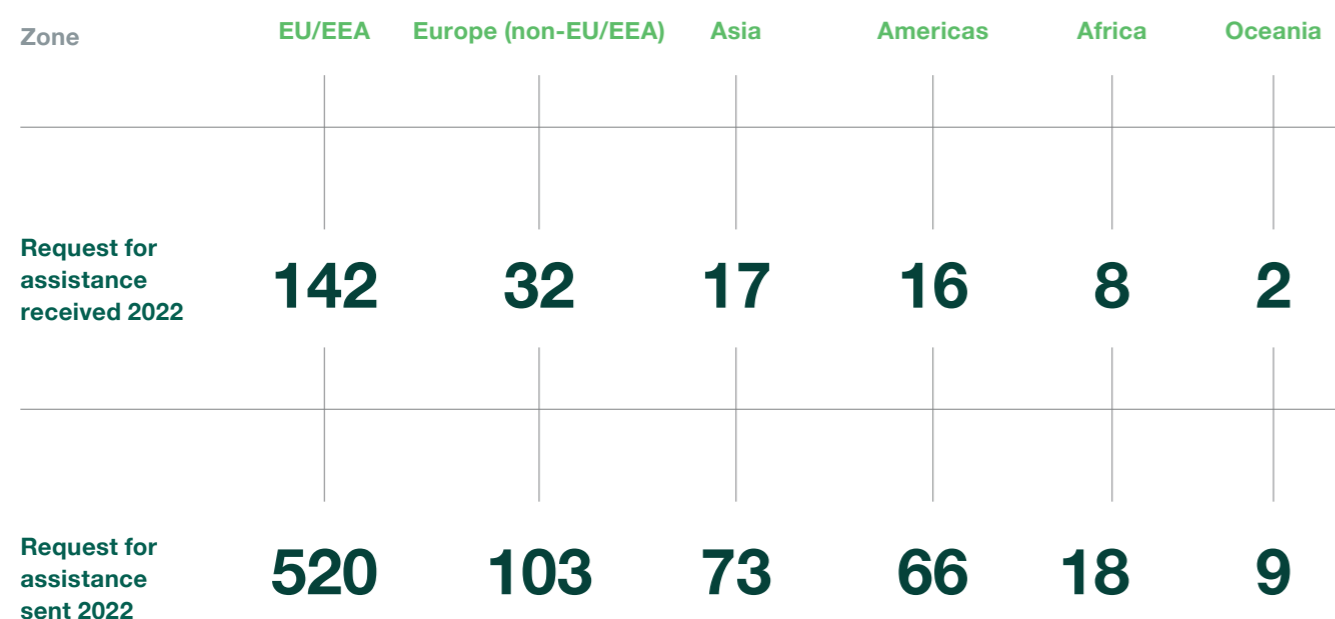
Table 12 – Requests for cooperation and information to and from other FIUs by year

Year	Number of requests received by the FIAU	Number of requests sent by the FIAU
2019	227	711
2020	250	741
2021	290	928
2022	217	789

In line with international expectations, the FIAU has maintained its timely response to foreign FIUs, with the average time taken to provide initial responses¹ to the 217 requests received during 2022 being that of 10 days.

The volume of requests sent by the FIAU to its foreign counterparts is also reflective of the level of detail entered into by the FIAU when carrying out an in-depth analysis which involves, amongst other things, following up on every foreign link identified within the case where possible.

Chart 11 – Requests for information received and sent by zone in 2022



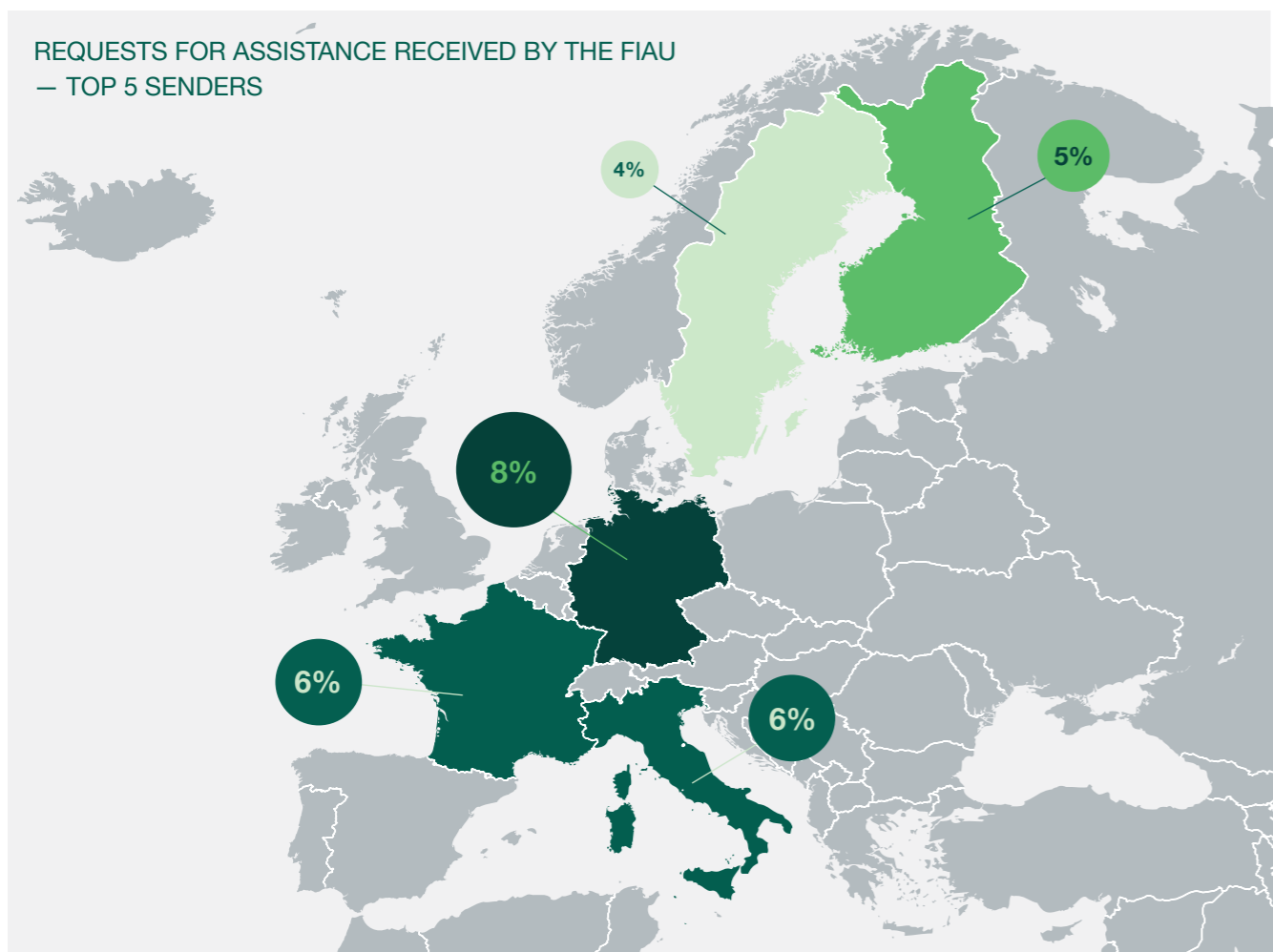
¹ It is to be noted that initial responses consist of information which is immediately accessible or easily achievable to the FIAU.

“Working at the FIAU is an incredibly rewarding and enriching experience. The leadership at the Unit sets a high standard for professionalism, integrity, and accountability, making it a great place to work, grow and develop. In addition to being given meaningful work and the opportunities to contribute to exciting projects which make a lasting impact, the supportive and collaborative work environment has also allowed me to continue expanding my knowledge and skill set. The fight against financial crime requires a dedicated and knowledgeable team, and I am proud to be part of one that is at the forefront of this effort.”

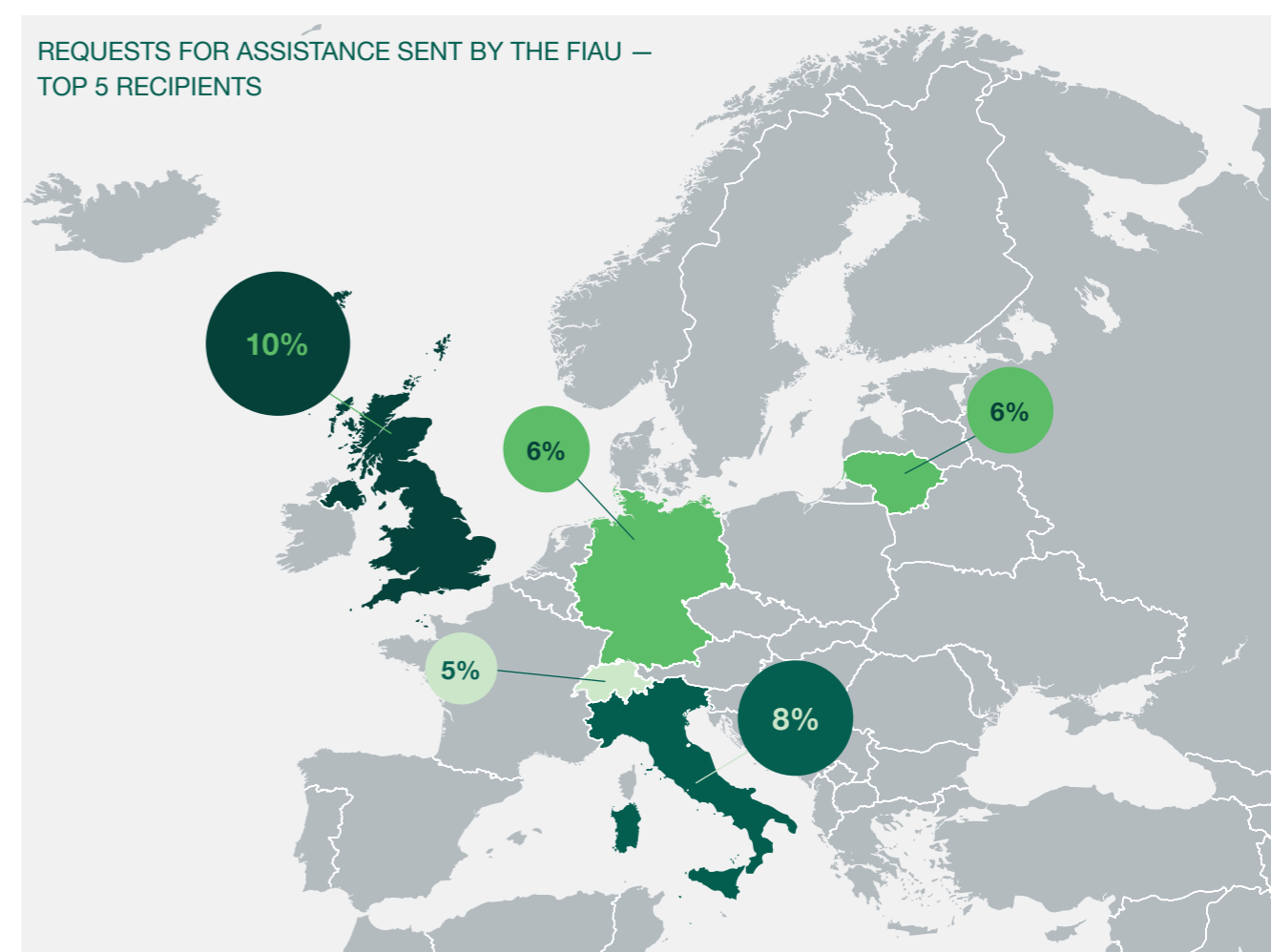
Jeremy Mercieca Abela
– Enforcement



Chart 12 – Top 5 sending and receiving countries (international requests for information)



Country	Request for assistance received by the FIAU	Percentage of total
Germany	17	8%
Italy	14	6%
France	13	6%
Finland	11	5%
Sweden	9	4%



Country	Requests for assistance sent by the FIAU	Percentage of total
United Kingdom	82	10%
Italy	63	8%
Lithuania	45	6%
Germany	44	6%
Switzerland	36	5%



Chart 13 – Total number of spontaneous intelligence reports sent and received by the FIAU

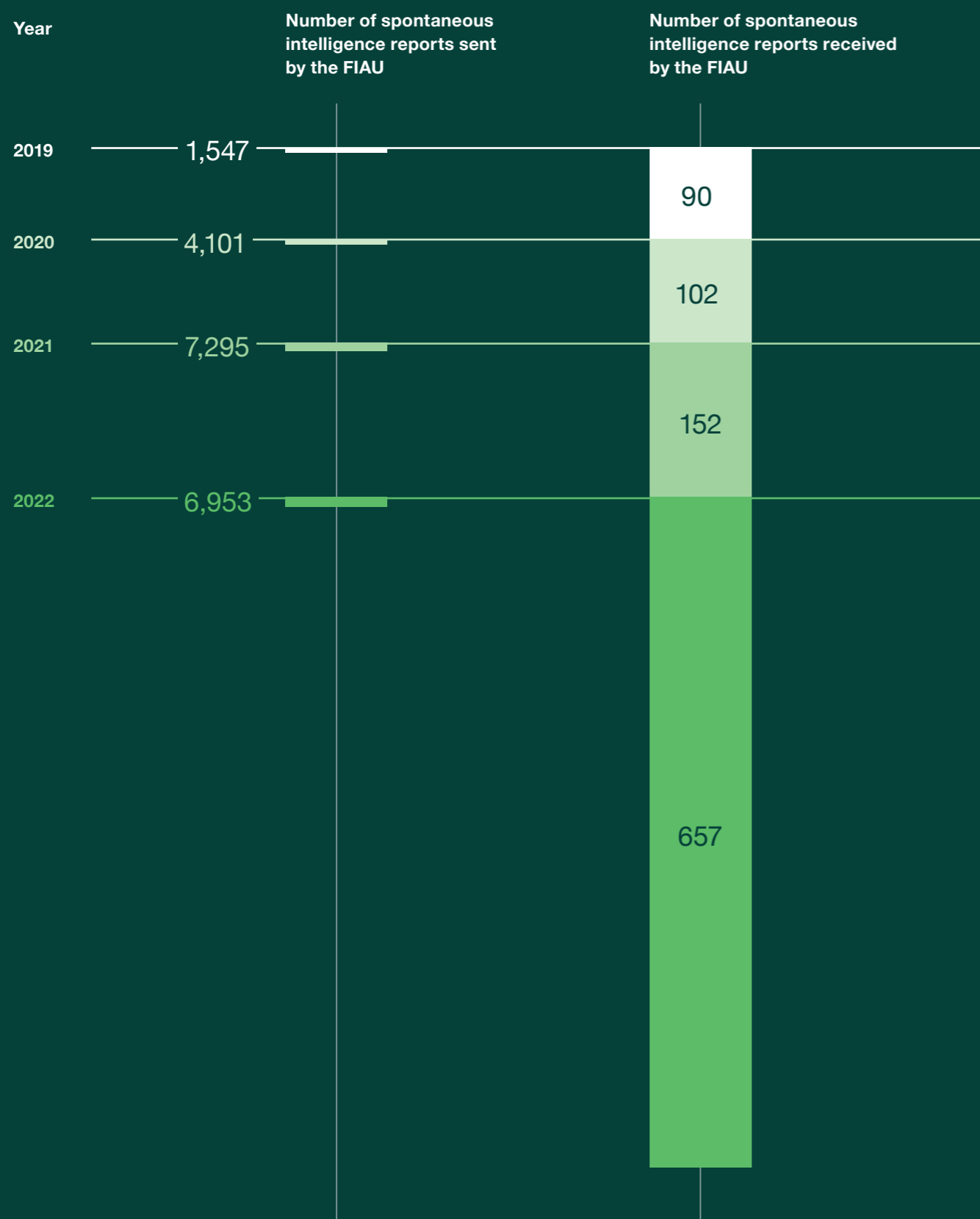


Table 13 – Spontaneous Intelligence Reports received and sent by the FIAU, by zone

Region	Spontaneous intelligence reports received	Spontaneous intelligence reports sent
Africa	1	138
Americas	4	1,528
Asia	2	589
EU/EEA	621	3,212
Europe (non-EU/EEA)	29	379
Oceania	-	158

Chart 14 – Spontaneous Intelligence Reports received by the FIAU – Top 5 senders

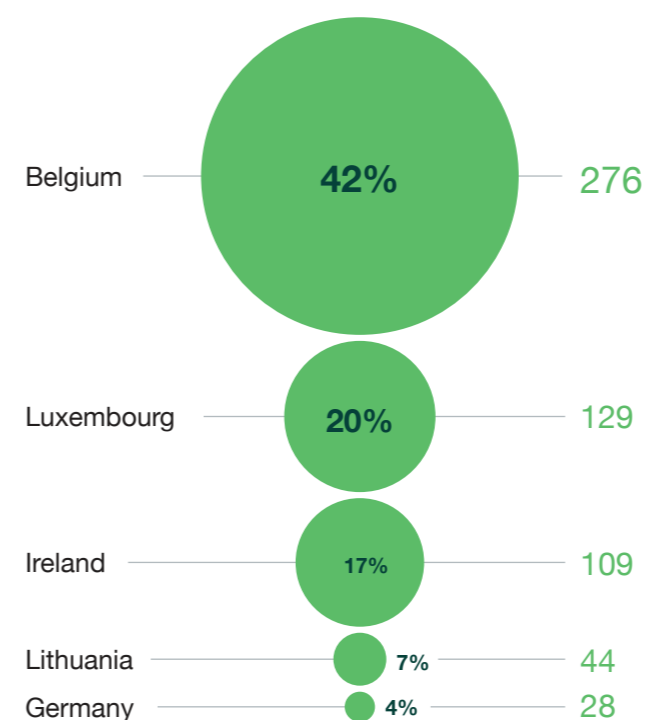
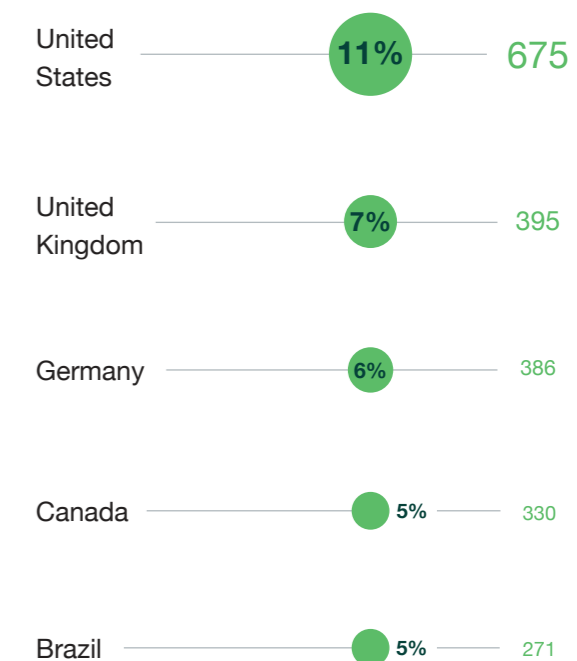


Chart 15 – Spontaneous Intelligence Reports sent by the FIAU – Top 5 recipients





The Enforcement Section holds information that may be of direct relevance to other AML/CFT Supervisors, not least information on the outcome of supervisory examinations, of any remediation or follow-up directives issued and of any appeal filed against decisions of the Compliance Monitoring Committee.

During 2022, apart from notifying relevant authorities of any information pertinent to them, the FIAU's Enforcement Section also disseminated an additional 16 reports on concerns noted during the enforcement process and determined by CMC. The disseminations took place as per Chart 16.

In 2022, the Supervision Section also **shared 14 items of information with both EU and non-EU supervisory authorities**. This included both exchanges of information in relation to AML/CFT supervisory practices applied by the FIAU, as well as information on specific SPs.

- Enforcement Section
- Supervision Section

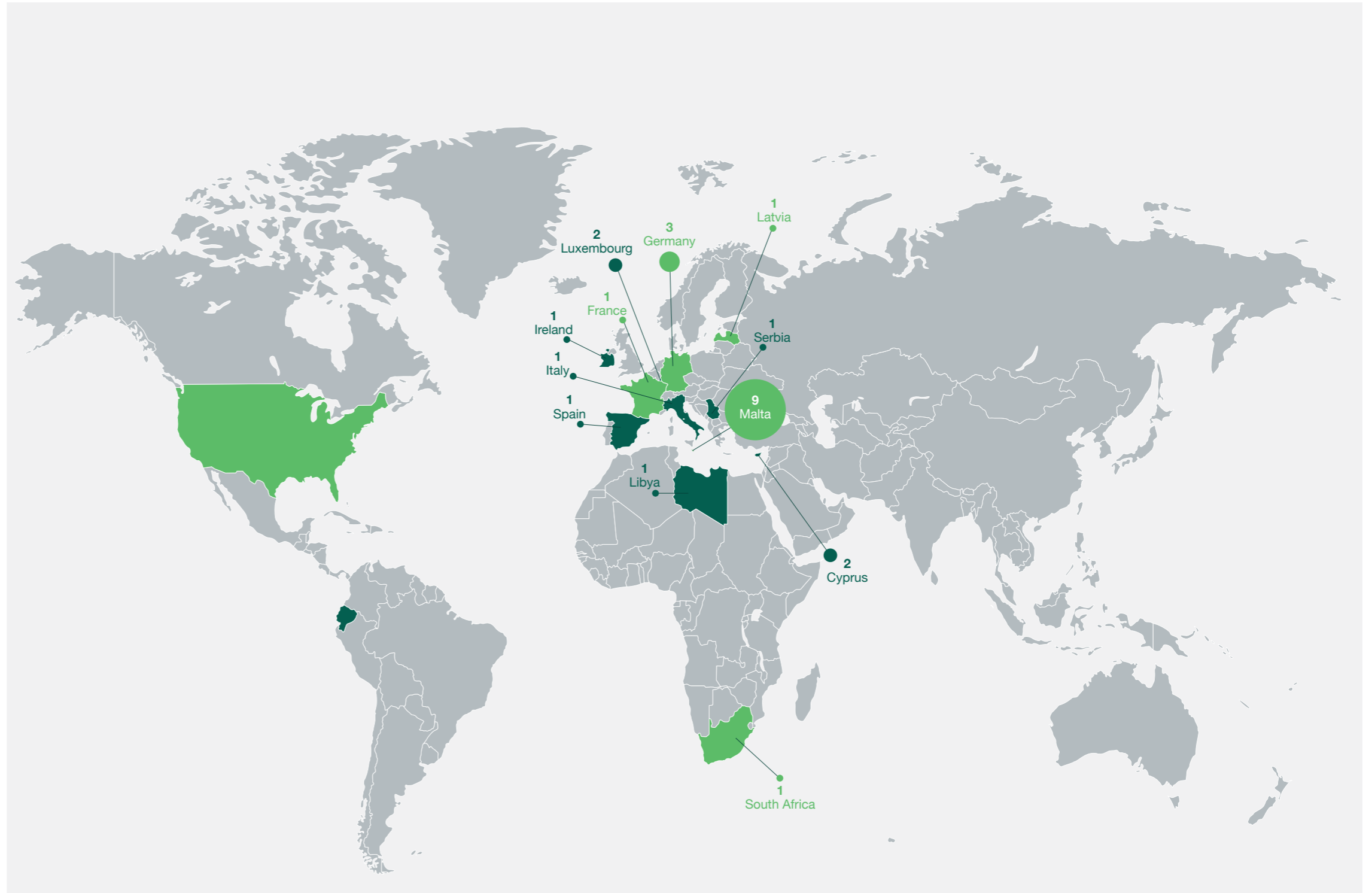


Chart 16 – Disseminations made by the Enforcement and Supervision Sections



Local engagement

The FIAU collaborates and cooperates with all stakeholders in Malta to ensure that Malta remains a safe and well-reputed jurisdiction for investment, growth and development. The broad spectrum of efforts is covered in this section of the report.

Cooperation with the Office of the Commissioner for Revenue

Over the past year, the FIAU and the Office of the Commissioner for Revenue (OCfR) collaborated on the delivery of several intra-agency training sessions. The training provided by the FIAU aimed to improve the tax authority's ability to detect and report ML/FT. The training provided by the OCfR was aimed to enhance the FIAU's ability to detect tax evasion and analyse ML cases where the Predicate Offence (PO) is tax evasion. The training sessions were delivered interactively through case studies and group discussions. This approach facilitated the sharing of knowledge and expertise between the two agencies, strengthening their relationship and ability to work together effectively. By working together and learning from each other, the FIAU and OCfR could understand each other's roles and responsibilities better and identify opportunities for collaboration. This led to more effective and coordinated efforts in addressing common challenges and achieving shared goals.

Contribution to the National Risk Assessment

Different sections across the FIAU participated in the National Risk Assessment. Each section had a specific contribution to make. Quantitative and qualitative data and information related to suspicious reports received from subject persons and intelligence received from foreign counterparts, through international requests and spontaneous intelligence reports was provided. This helped the working groups determine the threats and vulnerabilities posed by each sector and to establish the residual risk. In addition to the extraction of data, FIAU officers participated in numerous meetings with private sector representatives and with other authorities to draft the NRA report.

Each of the following sectors falling under the AML/CFT supervision of the FIAU was represented by a separate working group:

- **Notaries and Real Estate Agents**
- **TCSPs, Accountants, Auditors, Lawyers and Tax Advisors**
- **Banking Institutions**
- **Financial Institutions**
- **Investment Services**
- **Virtual Asset Service Providers**
- **Insurance and Pension Schemes**
- **Gaming Sector**

ML/FT risk data related to these sectors, as well as the quality of the mitigating controls that are in place were analysed. The FIAU was also responsible for the drafting of the Banking Sector Risk Assessment of the NRA.

Cooperation with the Central Bank of Malta

In 2022, information on eight financial institutions was exchanged with the Central Bank of Malta (CBM). This exchange of information follows the collaboration between the FIAU and the CBM, which was solidified in 2020 through the signing of an MoU. In addition, the FIAU participated in six meetings organised by the Payment System Participation Review Board in 2022. The Board, set up by the CBM, is responsible for assessing whether prospective participants to the MTEUROPAY payment system operated by the CBM have the required governance, systems and procedures in place to comply with the PMLA and PMLFTR.



Cooperation with the Malta Financial Services Authority and the Malta Gaming Authority

Article 16(1)(k) of the PMLA empowers the FIAU to cooperate and exchange information with other supervisory authorities. Collaboration between the authorities is also regulated through MoUs.

- Article 27(3)(b) of the PMLA empowers the FIAU to request other supervisory authorities to carry out compliance examinations on behalf of, or jointly with, the FIAU. These compliance examinations are carried out on SPs falling within the competence of the relevant supervisory authority. The MFSA and the MGA carried out a combined total of 63 examinations on the FIAU's behalf in 2022. The MFSA and the MGA adopt the same process and methodology used by the FIAU when carrying out these examinations on the FIAU's behalf. To this end, the Quality Control Team within the Supervision Section is responsible for providing support to the MFSA and the MGA, as well as to ascertain that the examinations carried out are in line with the established supervisory procedures.

- The FIAU is also involved in the MFSA's authorisation process for new licence applications, on a risk-based approach. This takes place at an early stage of the authorisation process, with the MFSA sharing information on the applicant's business model, governance structure and AML/CFT policies and procedures. Discussions between the two authorities are then held from an AML/CFT compliance and risk perspective. Tripartite meetings, involving the MFSA, the FIAU and the applicant, are also held and are focused particularly on discussing AML/CFT related issues. These interactions ensure that a holistic approach to address ML/FT risks is applied during the licensing stage. In this respect, the FIAU provided feedback to the MFSA on seven new applications in 2022.
- Collaboration with the MFSA and the MGA also takes place during the approval process of prospective MLROs. Although the ultimate approval falls within the responsibility of the MFSA and the MGA, the latter regulators invite the FIAU, on a risk-based approach, to attend interviews with prospective MLROs. The objective is to provide feedback to the MFSA and the MGA on the MLROs' AML/CFT knowledge and preparedness. The FIAU attended a total of 31 such interviews during 2022.



- As part of the FIAU’s risk assessment process, both the MFSA and the MGA share information on SPs falling under their competence. This information is analysed by the Risk Team within the Supervision Section and used to build ML/FT risk profiles of SPs. During 2022, the MFSA and the MGA provided information on a total of 765 and 244 SPs respectively. This information was analysed and inputted in the FIAU’s CASPAR system.
- The MFSA has developed an online platform Trust Ultimate Beneficial Ownership Register (TUBOR), in order to facilitate the electronic submission of beneficial ownership information of trusts as well as to provide online access to the said beneficial ownership information to the entitled parties in terms of law. In this regard, during compliance examinations, the FIAU performs checks on a sample of customers operating as a trust (or when a trust was part of the customer’s ownership and control structure), to determine the accuracy of information on TUBOR.
- The FIAU also holds regular meetings with the MFSA and the MGA on a bi-weekly basis in order to share information in relation to SPs, to ensure consistency in interpretation of AML regulations and to align the supervision procedures. These touchpoints also have a very important role in exchanging best practices and enhancing the knowledge in relation to sectors supervised by the two prudential regulators. Ad-hoc meetings are also held in order to discuss cases related to specific SPs. Enforcement actions and follow-up updates are shared with the MFSA and MGA, depending on the activities carried out by the SP. Additionally, periodic meetings are held to discuss concerns identified in the course of the enforcement action, as well as to keep the authorities informed on the status of enforcement action being taken.



and complete, and to ensure that SPs were complying with beneficial ownership obligations. The Supervision Section performed checks on the accuracy and completeness of beneficial ownership information of the MBR database with respect to 756 Maltese legal entities, during the compliance examinations carried out in 2022. The Enforcement Section shared also 42 instances of potential inconsistency of beneficial ownership information with information held on the beneficial ownership register of the MBR.

In early May 2022, the FIAU in cooperation with the MBR, also organised a one-day seminar focusing on beneficial ownership obligations and tax-related ML. In the context of Malta’s FATF evaluation, the seminar provided insights as to where Malta stands with respect to these particularly sensitive areas, setting out the observations of the FIAU and of the MBR as to what has been achieved so far and where improvements are still required. The presentation delivered by the Intelligence Analysis Section focused on the types of tax-related analysis carried out by the FIAU and several case studies were presented. The Section also presented statistical information on tax-related reports.

Cooperation with the Malta Business Registry

The FIAU and the Malta Business Registry (MBR) share a common goal of ensuring that Malta’s financial system is not used for ML/FT purposes. This common goal is reflected especially in ensuring the correct application of beneficial ownership obligations. The FIAU signed an MoU with the MBR for this purpose in 2021. The FIAU and the MBR shared extensive information to ensure that beneficial ownership data held by the MBR was correct

Table 14 – Reports sent to the SMB

Sector	2020	2021	2022
Credit Institutions	8	3	3
Financial Institutions	11	7	7
Investments	39	33	28
Insurance	0	2	2
VFAs	0	3	6
Gaming Operators	6	17	12
TCSPs	55	35	35
Other DNFBPs	15	13	14
Total	134	113	107

Additionally the FIAU and MBR collaborate with respect to defunct companies. The MBR periodically shares with the FIAU information on companies struck off as defunct. The FIAU then reaches out to any SPs that may have had a business relationship with such companies, and requests that they review their relationship and submit any STRs should they identify any suspicious activity that may have taken place. During 2022 the FIAU issued 20 directives requesting such a review of 3317 companies.

These reviews are designed to assess sanction screening policies and procedures applied by SPs in terms of Article 17(6) of the NIA. A sample of customers serviced by the SP being supervised by the FIAU, the MFSA and the MGA are also screened for sanction-related hits and any identified hits are relayed to the SMB accordingly. The FIAU, the MFSA and the MGA report the results of the sanction screening reviews directly to the SMB for further consideration and potential action.

Cooperation with the Sanctions Monitoring Board

In 2018, the FIAU, the MGA, the MFSA and the Sanctions Monitoring Board (SMB) signed an MoU to co-operate on safeguarding the Maltese financial, gaming and DNFBPs sectors from being misused for criminal purposes, including terrorism, funding of terrorism and the financing of the proliferation of weapons of mass destruction. The FIAU, the MFSA and the MGA provide assistance to the SMB with the monitoring of SPs’ compliance with their obligations, as stipulated in the National Interest (Enabling Powers) Act, Cap. 365 of the Laws of Malta) by conducting checks to assess SPs’ compliance with sanction screening obligations during AML/CFT compliance examinations.



4.3 Guidance & Outreach

The FIAU is also an enabler of compliance through education. The Unit achieves this through its dedicated Guidance and Outreach team within the Legal Affairs Section and also through other sections which collaborate with this specialised team.

Every effort is made to provide subject persons across all sectors with resources to ensure they are aware of their AML/CFT obligations and procedures. The FIAU participates in seminars, conferences, workshops, organises its own training events and supports those organised both by stakeholders and subject persons.

To this end last year the FIAU issued the following seven thematic Guidance Notes:

- **The Use of Cash and the Banking Sector.**
- **The interaction between Sanctions and AML/CFT.**
- **Obtaining Source of Wealth Information related to Parties other than the Customer.**
- **Common Issues related to the Money Laundering Reporting Officer.**
- **Compliance with Beneficial Ownership Obligations by Company Service Providers**
- **Provision of Directorship Services by Corporate Service Providers.**
- **Reporting through goAML - Reporting Transactions Connected to Iran through goAML.**

The Guidance and Outreach team was also responsible for the publication of the Implementing Procedures – Part II for Accountants and Auditors, with significant input from the Malta Institute of Accountants. This was followed by training and guidance provided through various seminars, and participation in conferences.

The increased focus on the importance and value of Public Partnerships led to eight sessions of the AML/CFT Clinics for Banks being held. Contributions to these clinics were made by the Enforcement Section as well as the Legal Affairs Section. In addition, two sessions of the AML/CFT Consultants’ Forum were held.

The FIAU firmly believes that training is the key to compliance. Various officials participated in over 70 different sessions and events with an AML/CFT connection. The CBAR, Supervision and Enforcement sections organised another 6 training sessions specific to their functions.

A half-day seminar was held in May focusing on beneficial ownership and tax-related ML. The purpose of this seminar was to provide insights as to where Malta stands with respect to these particularly sensitive areas, and to set out the observations of the FIAU and of the Malta Business Registry as to what has been achieved so far and where improvements are still required.

FIAU officials delivered 10 lectures on AML/CFT topics to University students, targeting amongst others Accountancy, Commerce, Criminology, DLT and Law students. In addition, a series of initiatives were undertaken to share knowledge with other key authorities forming part of the Maltese AML/CFT framework. 10 such sessions took place, including both bilateral meetings and others that were part of a wider national effort, covering aspects that included the capabilities and functions of the Centralised Bank Account Register, and the use of open-source information.

- **Regulatory reporting obligations.**
- **How the FIAU actively manages data and derives ongoing insight for risk assessments and evaluations.**
- **Financial Action Task Force (FATF)’s Digital Transformation projects considering the application of advanced analytics, collaborative analytics and artificial intelligence on AML and CFT processes.**

Furthermore, the FIAU provides a facility for subject persons and stakeholders to submit queries via email either to the Guidance and Outreach section as well as to other sections in relation to specific matters. In total a staggering 6,000 queries were replied to by the various sections, covering a wide spectrum of topics. The bulk of queries were related to CASPAR, the REQ and compliance related matters.





Communicating the FIAU's practices and expectations to SPs or other authorities in relation to the application of their AML/CFT obligations is important to ensure a strong AML/CFT compliance culture. To this end, a series of training events were held throughout 2022:

Table 15 – The FIAU's outreach efforts through the organisation of and participation in various training events

Event title	Date(s)	Organisers
Hiding in Plain Sight- A JCA Money Laundering Seminar	07/01/2022	Junior Chamber of Advocates
Tax-related money laundering red flags, typologies and case studies	10/01/2022	MIA
The FIAU: An Operational Perspective	10/01/2022	UoM (Department of Criminology)
Automation & Auditing - Tools to Reinforce AML Compliance	26/01/2022	Kyte Consultants
Analysing money laundering, tax evasion issues and the suspicious activity reporting for OCfR officials	27/01/2022	NCC
Seminar organised by NCC for OCfR concerning Money Laundering	28/01/2022	NCC
Ultimate Beneficial Ownership – Regulatory Requirements, Key Challenges and Industry Best Practices	17/02/2022	Sigma Risk
An Introduction to AML/CFT for UoM Masters in Accountancy Students - Part2	17/02/2022	UoM
KPMG AML Roundtable	24/02/2022	KPMG
AML/CFT Banking Clinics (3rd clinic)	25/02/2022	FIAU
Tackling unwarranted de-risking: lessons learnt and next steps	11/03/2022	EBA
Demonstration Orbis	11/03/2022	OCfR
CAMPUS Tech Summit- Technology and Financial Crime: A Local Perspective	16/03/2022	UoM
Best practices on open-source Intelligence	29/03/2022	NCC
IFSP Conference 2022: Revitalising Financial Services – Mapping a Sustainable Path for Malta	07/04/2022	IFSP
FIAU Screening Systems	20/04/2022	FIAU

Event title	Date(s)	Organisers
AML/CFT Banking Clinics (4th clinic)	22/04/2022	FIAU
The role of the FIAU and our efforts against financial crime	25/04/2022	University of Malta
PPPs: How Public Private Partnerships are driving the Fight Against Global Financial Crime	27/04/2022	AML Intelligence
Feedback on STR quality and reporting	28/04/2022	FIAU
AML/CFT Consultants Forum	03/05/2022	FIAU
The FIAU: An Operational Perspective	03/05/2022	UoM (Criminology)
Seminar on Beneficial Ownership Obligations and Tax-Related Money Laundering	06/05/2022	FIAU
20 Years of iGaming in Malta: Are we at a crossroad?	10/05/2022	Malta Chamber of Commerce, Enterprise and Industry
University Lectures to Legal Students	03/05/2022	UoM
CBAR Webinar to Competent Authorities: Searching on CBAR	16/05/2022	FIAU
AML Conference (updates and other issues)	17/05/2022	Society Education
The Next Leap Forward: Succeeding through Change	24/05/2022	MIA
KPMG Malta Gaming eSummit	24/05/2022	KPMG
AML Supervisory Examination: What to Expect & The FIAU's Risk Assessment of Subject Persons	26/05/2022	Society Education
AML/CFT Banking Clinics (5th clinic)	27/05/2022	FIAU
New functionalities of CBAR	09/06/2022	FIAU
The role of the Money Laundering Reporting Officer	10/06/2022	MIA
10th International Anti-Money Laundering and Compliance Conference Fighting Financial Crime	10/06/2022	Banking Association for Central and Eastern Europe



Event title	Date(s)	Organisers
Training to OCfR Officials	14/06/2022	FIAU
The MLRO in the Gaming Sector	15/06/2022	MGA
Reporting Suspicions of ML/FT: Good Practices	21/06/2022	MIA
AML and Financial Crime conference: Aligning Growth Strategies with the National Financial Crime Compliance	22/06/2022	ARQ & MBA
AML/CFT Banking Clinics (6th clinic)	23/06/2022	FIAU
Trade Based Money Laundering	23/06/2022	NCC
28 th KPMG AML roundtable	23/06/2022	KPMG
AML/CFT National Strategy 2021-2023	24/06/2022	NCC
Combating Financing of Terrorism	29/06/2022	Cepol (European Union Agency for Law Enforcement)
EY Round-Table Event	14/07/2022	EY
Identifying Beneficial Ownership and AML/CFT Obligations	20/07/2022	NCC
Interview in The Accountant	03/08/2022	MIA
Introduction to the AML/CFT Obligations	26/08/2022	UoM
Overview of FIAU functions and roles, and case studies	02/09/2022	UoM
AML/CFT Consultants Forum	15/09/22	FIAU
Managing Financial Investigations	19/09/2022	OECD International Academy for Tax Crime Investigation
AML/CFT Banking Clinics Big Banks	23/09/2022	FIAU
Beneficial Ownership	29/09/2022	Society Education

Event title	Date(s)	Organisers
The evolution of fiduciary services: Keeping trusts relevant for the future	07/10/2022	
Training on Court Related Matters	14/10/2022	FIAU
Financial Crime Compliance: A Global Outlook	11/10/2022	MFSA
Managing Financial Investigations	18/10/2022	Ministry for Foreign and European Affairs and Trade
The PwC Financial Crime Compliance Conference 2022 - Navigating the pillars of financial crime in an evolving landscape	19/10/2022	PWC Malta
AML/CFT Banking Clinic Big Banks	25/10/2022	FIAU
University of Malta Banking and Finance Lecture	25/10/2022	UoM
EY MLRO Roundtable	26/10/2022	EY
Navigating the Complex World of Sanctions in Malta	04/11/2022	Sigma Risk
EU Bank Account Registers Conference	09/11/2022 & 10/11/2022	FIAU
KPMG AML Roundtable	09/11/2022	KPMG
Annual Conference on AML and Financial Compliance in the EU 2022	10/11/2022	ERA
AML/CFT Banking Clinics - Small Banks	22/11/2022	FIAU
The 14th VAT & EU Conference – Recent VAT Developments and Anticipating Future VAT Changes	24/11/2022	Malta Institute of Management
FinanceMalta's 15th Annual Conference - Learning from the Past: Looking to the Future	01/12/2022	Finance Malta
UoM lecture to criminology students	06/12/2022	University of Malta
EY MLRO Roundtable	06/12/2022	EY
Information Exchange Session on AML/CFT	07/12/2022	University of Malta

CHAPTER

05

Special Focus

5.1 Our Strategy
2023 – 2026

5.2 Exiting the FATF
Grey List

5.1 Our Strategy 2023 – 2026

Over the past few years, the FIAU has been focused on implementing recommendations and achieving targets set by various international bodies. This experience has helped the FIAU become more knowledgeable and mature in the fight against the threats posed by a fast-evolving criminal world. Additionally, it has strengthened the organisation's confidence, resulting in a renewed vision and purpose that includes inspirational, motivational, and aspirational statements, encouraging the FIAU to leverage core competencies, strengths, and opportunities to aim beyond existing commitments.

The FIAU acknowledges that it plays a critical role in combating crime and shaping Malta's economy. This is why its renewed vision is not solely focused on fighting crime, but also aims to ensure that the FIAU and subject persons operate in a proportionate and risk-based manner that protects legitimate individuals and businesses, enabling them to operate without unnecessary hindrances.

2022 was a significant year for the FIAU and its staff, as their expertise was relied upon heavily to steer Malta out of the grey listing. They also contributed to a strong, ambitious, and transformational road map through carefully chosen objectives, goals, and self-set targets. This resulted in the FIAU's four-year strategy.

The strategy was formulated by the staff who were empowered by the FIAU Director to come up with innovative and smart ideas through a bottom-up approach. This gave them the opportunity to believe in and own the FIAU's vision, to deepen their sense of the organisation's purpose and enhance job satisfaction.

The FIAU acknowledges that the fight against money laundering and funding of terrorism has never been just the FIAU's struggle. It is the nation's prerogative to safeguard the financial system and the legitimate expectations of society and the business community from the effects of financial and other crime. Therefore, throughout the formulation of the strategy the FIAU held consultation sessions with private and public sector partners who share the mission of combatting money laundering, funding of terrorism, and serious crime, and with whom the FIAU aims to forge an even stronger collaborative relationship.

The FIAU's strategy is built on six pillars, each setting out several strategic objectives, operational goals, defined measures and targets to track the progress and successes of the supporting action plans. When developing the strategy, the FIAU identified those aspects and requirements of the FATF 11 Immediate Outcomes (IOs) that are crucial for the operational effectiveness of a financial intelligence unit and an AML/CFT supervisor. The IOs form part of the FATF assessment methodology and serve as the yardstick for assessing the effectiveness of a country's AML/CFT system. Four out of the six pillars of the strategy therefore seek to implement the applicable requirements of the 11 IOs. The fifth pillar focuses on efficient internal communication and coordination, while the sixth pillar supports and enables the FIAU to conduct its functions.

From aspirations to strategy formulation, the next four years will be dedicated to careful execution of the strategy plan. The FIAU is aware that it has set ambitious targets, however it is determined to work hard to achieve them with the help of private and public partners and international counterparts.

The Strategy Pillars

01 Effective and Proportionate AML/CFT Measures

02 Generating and Disseminating Useful Financial Intelligence

03 Effective International Engagement

04 A Risk-Focused FIAU

05 Efficient Internal Communication & Coordination

06 Enabling the FIAU



FIAU Strategy Pillars	FATF Immediate Outcomes	Description of Outcomes
Pillar 1	IO3	Supervision Supervisors appropriately supervise, monitor, and regulate financial institutions, DNFBPs and VASPs for compliance with AML/CFT requirements commensurate with their risks.
	IO4	Preventive Measures Financial institutions, DNFBPs and VASPs adequately apply AML/CFT preventive measures commensurate with their risks and report suspicious transactions.
	IO5	Legal Persons & Arrangements Legal persons and arrangements are prevented from misuse for ML/FT, and information on their beneficial ownership is available to competent authorities without impediments.
	IO10	Terrorist Financing Preventive Measures & Financial Sanctions Terrorists, terrorist organisations and terrorist financiers are prevented from raising, moving, and using funds, and from abusing the Non-Profit Organisations Sector.
	IO11	Proliferation Financial Sanctions Persons and entities involved in the proliferation of weapons of mass destruction are prevented from raising, moving, and using funds, consistent with the relevant United Nations Security Council Resolutions.
Pillar 2	IO6	Financial Intelligence Financial intelligence and all other relevant information are appropriately used by competent authorities for ML/FT investigations.
	IO7	Money Laundering Investigation & Prosecution ML offences or activities are investigated and offenders are prosecuted and subject to effective, proportionate, and dissuasive sanctions.
	IO8	Confiscation Proceeds and instrumentalities of crime are confiscated.
	IO9	Terrorist Financing Investigation & Prosecution FT offences and activities are investigated and persons who finance terrorism are prosecuted and subject to effective, proportionate, and dissuasive sanctions.
Pillar 3	IO2	International Cooperation International co-operation delivers appropriate information, financial intelligence, and evidence, and facilitates action against criminals and their assets
Pillar 4	IO1	Risk, Policy, and Coordination ML/FT risks are understood and, where appropriate, actions co-ordinated domestically to combat ML, FT, and PF.
Pillar 5	NA	Efficient Internal Communication and Coordination Addresses the growing needs of the organisation to remain cohesive and updated internally.
Pillar 6	NA	Enabling the FIAU Enhancing the support structure for the Key Functions to remain effective in a sustainable manner.

Pillar 01 – Effective and Proportionate AML/CFT Measures

This Pillar is mainly focused on strengthening the FIAU's compliance monitoring and enforcement functions. The Strategic Objectives under this Pillar acknowledge the need to build on the positive work carried out so far. These efforts have strengthened Malta's AML/CFT compliance culture. Furthermore, it emphasises the importance to now focus on driving a more proportionate approach to the application of AML/CFT obligations.

An ongoing understanding and assessment of both sectorial and subject person ML/FT risk and how their products, services and sectorial vulnerabilities may be exploited for ML/FT purposes, enables the FIAU to develop an effective risk-based compliance monitoring plan. Providing guidance to subject persons on the implementation of AML/CFT obligations, and information on identified ML/FT risks, trends, and typologies, will remain a priority for the FIAU. Supervisory initiatives will gradually be synchronised to be preceded by related focused guidance and training, with priority being given to the identified high risk sectors. This aims to offer subject persons a better position to pre-empt a planned supervisory visit and be able to self-assess and remediate where necessary.

The FIAU intends to promote the proportionate application of AML/CFT obligations by subject persons to reduce de-risking and disproportionate practices that hinder legitimate individuals' and businesses' access to the financial sector. Public/Private partnerships will be given more prominence.

Within the parameters of the law, the strategy envisages more transparency on how the FIAU carries out its supervisory and enforcement functions. The FIAU is also committed to improve on the application of administrative measures so that they are more effective, proportionate to the nature and impact of shortcomings, and dissuasive. The strategy aims to strengthen and safeguard the right of all subject persons to a timely and fair enforcement process.

The FIAU's strategy is built on six pillars, each setting out several strategic objectives, operational goals, defined measures and targets to track progress and successes of the supporting action plans.

The FIAU will be stepping up the enforcement of the restriction on the use of cash, focusing on adopting a risk-based methodology to monitor and enforce these legal restrictions, effectively and proportionately. The Unit will also embark on more public awareness campaigns on this restriction, highlighting the importance in combatting ML.

The FIAU will continue to strengthen its cooperation with all competent national and foreign authorities to curb domestic and cross border crime and ML/FT.



Pillar 02 – Generating and Disseminating Useful Financial Intelligence

The FIAU aims to provide targeted guidance to subject persons to improve the quality and materiality of suspicious reports, and to provide timely related feedback, including on their outcome (within the limitations of confidentiality). The Unit will also seek to understand and address the legal and practical obstacles to the submission of suspicious reports.

Public/Private Partnerships will provide a useful platform for the continuous detection and sharing of information on ML/FT risks, trends, and typologies with the most material sectors in Malta. Strategic analysis efforts will be instrumental for this purpose. Moreover, the FIAU will step up efforts to detect (independently of suspicious reports) material ML/FT cases aligned with Malta's ML/FT risk.

The strategy envisages a more efficient prioritisation of incoming intelligence, according to risk, materiality, and alignment to national ML/FT risks. It aims to better guide the allocation of resources, according to risk and materiality of reports, to ensure sustainability, in view of the ever-growing number of incoming suspicious reports.

The FIAU's Strategy for 2023 - 2026 includes several actions aimed at strengthening the dissemination of useful intelligence and assistance to other competent authorities.

Pillar 03 – Effective International Engagement

Effective international cooperation and exchange of information is one of the requirements of the international standards applicable to FIUs. The FIAU's strategy therefore will ensure that the Unit provides, both upon request and spontaneously, timely and useful information to counterpart FIUs and foreign Law Enforcement Agencies (LEAs). The Unit will continue to request and obtain assistance and intelligence from counterpart foreign FIUs, to comprehensively analyse local cases with an international dimension.

In line with its strategy, the FIAU intends to strengthen international cooperation and the exchange of information with foreign and European AML/CFT supervisory authorities. In addition, it aims to bolster its participation in the Supervisory Colleges of the European Supervisory Authorities.

Another area addressed by the strategy is the active participation and contribution by FIAU officials in MONEYVAL, EGMONT, EU FIUs Platform, EU Commission and EBA meetings, projects and international AML/CFT reviews and evaluations. The FIAU also aims to boost international engagement by identifying opportunities to learn from counterpart FIUs, supervisory authorities and policy bodies, as well as share its own operational experiences and best practices as a relevant actor in the global fight against ML/FT.

Pillar 04 – A Risk-Focused FIAU

This Pillar focuses on three Objectives. These Objectives will be attained by continuously identifying, analysing, and evaluating national ML/FT risks, trends, and typologies from the perspective of the data and intelligence held at the FIAU's disposal and through open-source information. The FIAU will endeavour to ensure that the process of risk understanding is not merely a reactive exercise involving the analysis of historic data. The risk evaluation will be a proactive one, which monitors the ML/FT risk implications of new and prospective products, business practices, technologies, and product/service delivery mechanisms. To achieve this, the FIAU will embark on various projects to actively manage data as an asset from which the FIAU can derive ongoing insight. Underlying this pillar is the overarching long-term commitment to ensure that the data collected by the FIAU is actionable, unified, and accessible to all relevant parties.

Furthermore, the FIAU will strengthen and consolidate internal efforts to ensure that its operations are continuously aligned to national ML/FT risks. This will entail updating as necessary the plans for compliance monitoring, tactical and strategic analysis, and adjusting analytical procedures and processes accordingly.

The FIAU will strive to continue taking an active role in the carrying out of national risk assessments, and the formulation of national AML/CFT strategies and policy, by providing informed and valuable contributions.

Pillar 05 – Efficient Internal Communication & Coordination

With the significant increase in staff complement, efficient internal communication and coordination has become more important than ever to ensure that all FIAU sections operate in synergy and in a concerted manner. The Strategic Objectives underpinning this Pillar will contribute to eliminate organisational and operational silos, and result in increased efficiency and effectiveness.

The strategy provides for a mechanism to centrally coordinate all strategic FIAU initiatives and to oversee their implementation. Key FIAU operations involving more than one FIAU Section will be identified and will be executed in line with agreed coordination and communication arrangements. A focused effort will be undertaken to develop an enhanced, creative and audience driven internal communication strategy to ensure that all employees are regularly kept informed of all the relevant necessary information.

Pillar 06 – Enabling the FIAU

The FIAU acknowledges that the success of the strategy depends on having the backing of all the following support functions:

- Human Resources
- Internal Training & Development
- Communications & Public Relations
- Technology & Information Security
- Data Management & Analytics
- Strategy, Policy & Quality Assurance



5.2 Exiting the FATF Grey List



Having been placed on the FATF grey list in June 2021 Malta, was required to demonstrate that it had satisfactorily implemented the action plan agreed with the FATF in order to be removed from the list.

A number of face-to-face meetings took place between Maltese officials representing the FIAU, other competent authorities and the assessors to explain how Malta was addressing the shortcomings that had been identified. In the months that followed, Malta reported regularly to the FATF on the progress made by submitting written information and statistics to the group of assessors assigned to monitor progress. This reporting process took place before every FATF Plenary meeting. These were held in October 2021, and in February and June 2022.

In February 2022 the FATF Plenary meeting took note of and discussed the progress and results achieved by Malta and decided that an on-site visit to Malta should take place to verify that the implementation of the AML/CFT reforms had begun, was being sustained, and that the necessary political commitment was in place to continue to sustain implementation and improvement in the future. This visit took place in March 2022 following which the FATF

assessors made an initial determination that Malta had substantially completed its action plan. This was confirmed during the FATF Plenary meeting in June 2022 when the FATF decided to remove Malta from the grey list.

The improvements and increased effectiveness of supervision and enforcement were acknowledged by the FATF and were a crucial element leading to the delisting of Malta. In the report submitted to the FATF plenary meeting held on the 15 June 2022, the FATF committee assessing the progress made by Malta confirmed that a significant number of enforcement actions were concluded by the FIAU in 2022 including for beneficial ownership failings.

The FATF noted that measures imposed by the FIAU appeared to be effective, proportionate and dissuasive and were considered to be enough act as a deterrent. The FATF was satisfied that the enforcement and supervisory actions of the FIAU were leading to greater levels of AML/CFT compliance. The FATF was satisfied with the FIAU's graduated approach in accordance with its Sanctions Policy and the Sanctions Tool used, to ensure proportionality.



The FATF also acknowledged that the process of implementing the required reforms and actions was fully in place in Malta and was being sustained. It also confirmed that there is a high-level political commitment to implement and continue improving Malta's AML/CFT framework. The FATF saw significant improvement since Malta was placed on the grey list, and an increased level of compliance as a result of the application of effective, dissuasive, and proportionate sanctions, including for beneficial ownership-related breaches. On the basis of these considerations the FATF removed Malta from the grey list in June 2022. The removal of Malta from the grey list is not the end of the road.

While the FATF is now satisfied with the improvements carried out, these have to be sustained. Malta will continue to be monitored by MONEYVAL and eventually reassessed not only by MONEYVAL but also, from time to time, by the European Commission, the European Banking Authority, the IMF (International Monetary Fund), and the European supra-national authority presently being established, namely the EU Anti-Money Laundering Authority (AMLA) amongst others.

It is therefore crucial for all competent authorities and subject persons to remain committed to the effective implementation and compliance with all the applicable AML/CFT requirements. This is necessary so that Malta is not identified as again having deficiencies in the effectiveness of its AML/CFT system that could result in Malta being placed under FATF scrutiny for a second time, with the negative repercussions that it would have on the Maltese economy and the Country's reputability.

CHAPTER

06

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CHAPTER

07

Glossary



AML	Anti Money Laundering
BO	Beneficial Owner
BRA	Business Risk Assessment
CASPAR	Compliance and Supervision Platform for Assessing Risk
CBAR	Centralised Bank Account Register
CFR	Commissioner for Revenue
CFT	Counter Funding of Terrorism
CMC	Compliance Monitoring Committee
CRA	Customer Risk Assessment
CSP	Company Service Provider
DNFBP	Designated Non-Financial Businesses and Professions
EDD	Enhanced Due Diligence
EU	European Union
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
FT	Funding of Terrorism
IO	Immediate Outcome
IPs	Implementing Procedures
MBR	Malta Business Registry
MCAST	Malta College of Arts Science and Technology
MFSA	Malta Financial Services Authority

MGA	Malta Gaming Authority
ML	Money Laundering
MLRO	Money Laundering Reporting Officer
MONEYVAL	Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
MoU	Memorandum of Understanding
MPF	Malta Police Force
NCC	National Coordinating Committee
NRA	National Risk Assessment
OCfR	Office of the Commissioner for Revenue
PMLA	Prevention of Money Laundering Act
PMLFTR	Prevention of Money Laundering and Funding of Terrorism Regulations
REQ	Risk Evaluation Questionnaire
SAR	Suspicious Activity Report
SP	Subject Person
SNRA	Supra National Risk Assessment
STR	Suspicious Transaction Report
TCSPs	Trust and Company Service Providers
TUBOR	Trust Ultimate Beneficial Ownership Register
VFA	Virtual Financial Assets

CHAPTER

08

Annex



8.1 Intelligence Annex

Table 16 – All reporting sectors

Type of reporting entity	2019	2020	2021	2022
Remote Gaming Company	1,445	2,485	4,822	5,049
VFA Framework	8	61	411	965
Credit Institutions	962	1,975	873	942
Financial Institutions – Electronic Money	22	115	191	565
Financial Institutions – Payment Services Providers	35	95	244	271
Casino Licensees	34	56	138	129
Company Service Providers	49	65	79	72
Investment Services Licensees	24	28	47	56
Auditor	16	21	36	53
Accounting Professionals	8	20	38	48
Financial Institutions – Money Remitters	14	19	41	47
Financial Institutions – Others	17	22	12	40
Real Estate Agents	7	15	20	37
Trustees & Fiduciaries	7	16	25	31
Insurance Licensees	2	5	10	17
Independent Legal Professionals - Notaries	16	21	26	16

Type of reporting entity	2019	2020	2021	2022
Independent Legal Professionals - Advocates	10	25	15	12
Land-Based Operators (other than Casinos)	-	11	6	3
Tax advisors	2	1	2	3
Recognised Fund Administrators	-	3	5	1
Collective Investment Schemes	6	7	2	1
Other	8	20	18	-
Retirement Scheme Administrators	-	1	3	-
Administrators of Private Foundations	1	-	2	-
Dealers in High Value Goods	-	2	1	-
Regulated Market Activities/Central Securities Depositories	1	-	1	-
Fund Administrators (of Collective Investment Schemes)	2	1	-	-
Supervisory Authorities	83	77	142	167
Competent Authorities	-	8	8	60
FIAU generated cases	35	32	105	154
Total reports for the year	2,813	5,207	7,323	8,740



Table 17 – Requests for information by country

Country	Requests for information received	Requests for information sent
Albania	3	1
Argentina	1	-
Armenia	-	3
Australia	-	6
Austria	3	15
Bahamas	-	1
Bangladesh	-	1
Belarus	-	1
Belgium	1	29
Belize	-	5
Brazil	2	2
British Virgin Islands	1	8
Bulgaria	3	17
Canada	1	3
Cayman Islands	-	1
Chile	-	1
Colombia	-	-
Congo Brazzaville	-	2
Costa Rica	1	-
Croatia	-	4
Curacao	-	3
Cyprus	2	25
Czech Republic	2	17
Denmark	2	6
Dominican Republic	1	2
Estonia	6	15
Finland	11	3

Country	Requests for information received	Requests for information sent
France	13	20
Georgia	-	1
Germany	17	44
Ghana	-	3
Gibraltar	-	7
Greece	2	9
Guernsey	1	4
Hong Kong	-	9
Hungary	3	9
Iceland	-	1
India	6	1
Ireland	-	10
Isle of Man	1	4
Israel	1	5
Italy	14	63
Ivory Coast	-	1
Japan	2	-
Jersey	-	5
Jordan	-	2
Kazakhstan	3	-
Latvia	7	13
Lebanon	-	3
Libya	1	-
Liechtenstein	3	6
Lithuania	8	45
Luxembourg	8	18
Macao	-	1
Malaysia	-	1
Mali	1	1



Country	Requests for assistance received	Requests for assistance sent
Marshall Islands	-	1
Mauritius	2	2
Mexico	-	2
Moldova	1	6
Monaco	-	6
Montenegro	1	4
Morocco	-	1
Netherlands	5	16
New Zealand	2	2
Nigeria	-	3
North Macedonia	1	-
Norway	5	1
Panama	1	4
Paraguay	-	1
Philippines	-	1
Poland	2	10
Portugal	-	12
Qatar	-	1
Romania	1	8
Russia	7	8
Saint Lucia	-	1
Saint Vincent and the Grenadines	-	2
San Marino	1	2
Saudi Arabia	-	1
Serbia	-	4
Singapore	-	4
Slovakia	5	8
Slovenia	3	3
Spain	8	18

Country	Requests for assistance received	Requests for assistance sent
Sweden	9	1
Switzerland	4	36
Syria	1	-
Taiwan	1	-
Thailand	-	1
Togo	-	1
Tunisia	4	4
Turkey	-	18
Turkmenistan	1	-
Turks & Caicos Islands	-	1
Ukraine	4	3
United Arab Emirates	2	24
United Kingdom	7	82
United States of America	8	27
Venezuela	-	1



Table 18 – Spontaneous Reports sent and received all countries

Country	Spontaneous intelligence reports received	Spontaneous intelligence reports sent
Albania	2	11
Algeria	1	7
Andorra	-	3
Angola	-	5
Antigua & Barbuda	-	1
Argentina	-	18
Armenia	-	7
Australia	-	15
Austria	10	211
Azerbaijan	-	1
Bahamas	-	2
Bahrain	-	9
Bangladesh	-	10
Belarus	-	21
Belgium	276	61
Belize	-	4
Benin	-	10
Bermuda	-	3
Bolivia	-	3
Bosnia and Herzegovina	1	1
Brazil	1	271
Bulgaria	-	37
British Virgin Islands	-	29
Cameroon	-	2
Canada	-	330
Cayman Islands	1	9
Chile	-	34

Country	Spontaneous intelligence reports received	Spontaneous intelligence reports sent
Colombia	-	5
Congo Brazzaville	-	3
Costa Rica	-	11
Croatia	1	47
Curacao	-	12
Cyprus	5	70
Czech Republic	3	39
Denmark	-	22
Dominica	-	1
Dominican Republic	-	5
Ecuador	-	9
Egypt	-	3
Estonia	1	80
Finland	2	233
France	-	118
Gabon	-	2
Georgia	-	3
Germany	28	386
Ghana	-	9
Gibraltar	2	15
Greece	1	49
Grenada	-	1
Guatemala	-	1
Guernsey	3	7
Honduras	-	1
Hong Kong	-	51
Hungary	1	152
Iceland	-	8
India	-	234



Country	Spontaneous intelligence reports received	Spontaneous intelligence reports sent
Indonesia	-	2
Ireland	109	219
Isle of Man	7	8
Israel	-	12
Italy	1	226
Ivory Coast	-	10
Japan	-	19
Jersey	3	8
Jordan	-	35
Kazakhstan	-	4
Korea	-	16
Kosovo	-	2
Kuwait	-	14
Kyrgyzstan	-	1
Latvia	1	87
Lebanon	0	4
Liechtenstein	7	17
Lithuania	44	135
Luxembourg	129	73
Macao	-	3
North Macedonia	-	3
Malaysia	-	9
Mali	-	2
Marshall Islands	-	11
Mauritius	-	11
Mexico	-	33
Moldova	1	11
Monaco	-	11
Mongolia	-	18

Country	Spontaneous intelligence reports received	Spontaneous intelligence reports sent
Montenegro	-	5
Morocco	-	5
Netherlands	-	143
New Zealand	-	132
Niger	-	1
Nigeria	-	43
Norway	-	45
Panama	-	20
Paraguay	-	4
Peru	-	29
Philippines	-	13
Poland	2	122
Portugal	-	39
Qatar	-	1
Romania	3	40
Russia	-	39
Saint Kitts & Nevis	-	1
Saint Lucia	-	2
Saint Vincent and the Grenadines	-	5
San Marino	-	1
Saudi Arabia	-	1
Senegal	-	4
Serbia	-	12
Seychelles	-	5
Singapore	-	13
Slovakia	1	59
Slovenia	-	35
South Africa	-	9
Spain	2	86



Country	Spontaneous intelligence reports received	Spontaneous intelligence reports sent
Sri Lanka	-	6
Sweden	1	48
Switzerland	1	114
Syria	1	-
Taiwan	-	4
Tanzania	-	2
Thailand	-	9
Togo	-	1
Trinidad & Tobago	-	1
Tunisia	-	3
Turkey	1	45
Turks & Caicos Islands	-	1
Ukraine	2	27
United Arab Emirates	-	40
United Kingdom	-	395
United States	2	675
Uruguay	-	1
Uzbekistan	-	15
Venezuela	-	6
Zambia	-	1

8.2 Supervision Annex

1. Compliance with Beneficial Ownership Obligations by Company Service Providers

- During 2021, the FIAU carried out a thematic review to assess the level of compliance with beneficial ownership obligations by the CSPs sector. This exercise covered 40 CSPs providing company services to Maltese-registered corporate vehicles and encompassed a review of 930 customer companies in order to test CSPs' adherence with beneficial ownership obligations. To this end, the results of each compliance examinations were analysed and a guidance document 'Compliance with Beneficial Ownership Obligations by Company Service Providers' was issued in March 2022.
- The results indicated that most CSPs are compliant with their beneficial ownership related obligations. It was also positively noted that no systematic breaches were identified at the individual CSP level and within the CSP sector throughout the thematic review. Additionally, the CSPs have demonstrated that they have established adequate written policies and procedures, which stipulate how beneficial ownership related obligations are to be fulfilled. The FIAU has also concluded that there is better compliance by CSPs in the application of beneficial ownership obligations for recent business relationships, with past shortcomings being addressed by CSPs through ongoing monitoring or self-imposed remedial action.





2. Provision of Directorship Services by Corporate Service Providers

- During 2020, the FIAU carried out thematic review to understand how CSPs had structured their AML/CFT frameworks to assess and mitigate the inherent risk resulting from the provision of directorship services. The thematic review consisted of 11 compliance examinations. Purposely, the guidance document ‘Provision of Directorship Services by Corporate Service Providers’ was issued in October 2022.
- As a key observation, it was noted that BRAs duly documented the assessment of the SP’s risk exposure as a result of providing directorship services, while the majority of the SPs under review identified specific control measures to mitigate the risks specifically derived through the provision of directorship services.
- With regard to the CRA, all SPs reviewed had CRA procedures in place but only 47% of the CRAs were carried out prior to entering the respective business relationships. Another positive note is that most SPs reviewed had factored directorship services in their CRA methodology.
- Overall, it was positive to note that SPs are generally aware of their obligations and the importance of having a sound AML/CFT control framework to mitigate the risks arising from the provision of directorship services.
- It was also acknowledged that most of the SPs reviewed had established policies and procedures on how to carry out transaction monitoring and have effectively carried out effective transaction monitoring.



Table 19 – AML/CFT Queries replied to by sector

Sector	Queries replied to (number)	Queries replied to (%)
DNFBPs	97	80%
Financial Institution / Credit Institution / Insurance	16	13%
Gaming	6	5%
Investments	3	2%
Total	122	100%



8.3 Enforcement Annex

Case Studies

1) Case study – Trustee and Fiduciary, that was providing corporate services

A targeted compliance review was performed on a Trustee and Fiduciary service provider that also offers corporate services (the SP). Following the review, the CMC concluded that there were various breaches demanding the imposition of an administrative penalty and a remediation directive. This since, the subject person:

- **Failed to submit a suspicious transaction report/ suspicious activity report (STR/SAR) for beneficial ownership (BO) concealment**

Two related corporate customers, with the first entity being the majority shareholder (99.9%) of the second entity, were initially owned by means of a declaration of trust. This allowed the subject person to act as trustee and nominee for the true BO. Approximately 11 years after the relationship was established and coinciding with the introduction of the obligation to record beneficial owners in the BO Register held by the Malta Business Registry (MBR), the true BO requested a change in structure. This change saw the transfer of shares from the true BO to his family members, with the result that each shareholder had no more than 25% of the shares. Given this, an official of the subject person had to appear as the Senior Managing Official (SMO) on the MBR's BO register for both corporate customers. Through email correspondence obtained, it was noted that the true BO wanted these changes to take place to ensure that he was not visible as the BO on the register.

In addition, after the share transfer, the true BO took decisions during meetings held between the subject person and representatives of both corporate customers, since he was the only person present. This clearly indicates that the individual retained control of the two companies and was therefore their ultimate BO.

- **Failed to undertake adequate Ongoing Monitoring, Enhanced Due Diligence (EDD) & Internal Reporting**

Over a span of more than six years, the subject person had amongst others provided directorship, fiduciary, and company secretarial services. During this extensive business relationship the subject person was exposed to several instances clearly posing a high ML/FT risk which were not adequately addressed, some of which are being illustrated hereunder:

- The complexity of the transfers that took place in a relatively short period of time (9 share transfers in 1 year.)
- The complex corporate structure created with numerous trust arrangements as well as foundations.
- The period (9 months) within which part of the group was incorporated, its business developed and then eventually sold for a substantial value (over \$10m), done without understanding how this value was determined.
- The substantial value of the costs involved for the development of an IP, without even having proper and comprehensive knowledge of what was being developed and without proper consideration of the cost's veracity.
- The lack of scrutiny behind the sale of the group to a non-EU company (the country is well known for its secretive nature of how companies are incorporated, the tax risks of the country and is considered as a big offshore haven), without any due consideration of the relationship or connection between the parties.
- The lack of scrutiny behind the rationale for the inclusion of an additional party as a seller without clear understanding of its involvement.

- **Failed to verify the corporate structure in a timely manner**

In a specific file, the subject person had provided, among other services, directorship, fiduciary, and company secretarial services, since 2015 when the business relationship was established. Despite this, the first structure chart was compiled four months after the start of the relationship. Another concern was that the structure chart and subsequent structure charts did not tally with the other verification documentation collected by the subject person during onboarding. Hence, the FIAU concluded that not only was the structure chart not compiled in a timely manner, but that the subject person had failed to verify the collected information. This should have been done to ensure that the structure chart as well as the documents used to verify it are sufficiently detailed and accurate to understand who ultimately owns the corporate customer.

- **Failed to identify the purpose and intended nature of the business relationship**

Even though the customer in a particular file was a holding company, insufficient information was obtained by the subject person on the companies being invested in by its customer. This was evident as no information was obtained to explain the services offered by the companies, their target markets, and the activity they operate in. This bearing in mind that the purpose of the holding company stems specifically from the operations of the trading company. Therefore, further information on the purpose behind the investments was critical to establish an adequate customer profile. In addition, while the trading company's financial statements offer some information on the customer's source of funds, these do not provide the required explanations to establish the underlying source of wealth of the initial investments made and from where the funds originated. Furthermore, no information was provided by the subject person to explain the anticipated level of activity expected during the business relationship. The information is necessary to explain not only the frequency but the value of investments targeted by the trading companies, which would ultimately be the business of the customer. Furthermore, in another customer file, also a holding company, the subject person again (as above) held insufficient information about the companies being invested in.

2) Case study – Company Service Provider

Following a compliance review carried out in 2020, the CMC concluded that there were various breaches that necessitated the imposition of an administrative penalty, a remediation directive, and a reprimand. This since, the subject person:

- **Failed to implement an adequate Business Risk Assessment (BRA)**

Not only was the Company's BRA carried out one year after the requirement first came into force, it also merely reflected the questions of the FIAU's REQ, rather than utilising the data to determine the Company's own risk exposure. Furthermore, the Company's BRA implied that the controls in place were fully effective, however it failed to provide an explanation as to how it reached this conclusion.

- **Failed to carry out adequate Customer Risk Assessments (CRAs)**

The Company failed to carry out a CRA for several files which were reviewed as part of the compliance review. It was also noted that in some other files, the CRA was carried out after the establishment of the business relationship, hence late. Moreover, for a percentage of the remaining files, the Company was found to have failed to carry out an adequate CRA.

- **Failed to carry out adequate screening**

For a substantial period, the Company only made use of the OFAC list to screen its customers. This list does not consider EU lists and any adverse media. Furthermore, the Company failed to carry out timely screening for some of the files reviewed, notwithstanding that the obligation to carry out screening came into force in 2019.

- **Failed to provide identification and verification documents**

The Company failed to provide verification documentation in relation to the BOs of a corporate customer.



- **Failed to identify the purpose and intended nature of the business relationship**

The Company asserted that the required information had been discussed and collected by its previous director prior to the customers' onboarding, however the Company failed to provide documentary evidence. Moreover, it was noted that the Company relied only on the Memorandum and Articles of Association, to obtain information related to the nature of the business of its customers. Therefore, it failed to fully understand what the activity of the customer would be and why the Company's services were requested, as well as how they were expected to be used throughout the course of the business relationship.

- **Failed to attend sufficient training**

The Company provided records relating to just one training session presented by the Compliance Officer, which seemed to cover only basic material. It was also noteworthy that the MLRO of the Company had only attended the aforementioned internal training. In addition, through the training log made available during the examination, it was noted that no records were held of any training attended by the Board of Directors and of any training attended by the Compliance Officer during 2019.

- **Failed to abide to record keeping obligations**

The Company failed to locate a specific file and could not provide the client's profile, the information related to; the BO, the corporate company itself, the CRA undertaken nor for any screening carried out. This, despite its obligation to retain records for up to five years following the closure of the business relationship.

3) Case study – Financial Institution

This case concerns shortcomings noted during the compliance review conducted on a financial institution in 2019. When considering and deciding on the case, the CMC found the Company in breach of its obligations. An administrative penalty, a remediation directive and a reprimand were imposed in relation to the shortcomings identified, including:

- **Failure to conduct an adequate Business Risk Assessment (BRA)**

Although the Company had a BRA in place at the time of the review, this was last revised in 2018. Furthermore, the BRA did not factor in the jurisdiction risks exposure. It also failed to consider the risks posed by the products and services provided by the Company and the measures implemented to mitigate them. Also, the BRA fell short in assessing the effectiveness of the controls which were in place. Hence, the Company was not able to adequately assess whether the ML/FT risks it was exposed to were being effectively mitigated.

- **Failure to have an adequate Customer Risk Assessment (CRA) Methodology**

The Company's CRA did not consider all the risk factors as required in terms of the IPs. For instance, the CRA failed to assess the risks deriving from onboarding customers on a non-face-to-face basis and failed to assess the geographical risk present from the establishment of the business relationship.

- **Failure to have adequate policies and procedures**

The subject person's anti-money laundering (AML) policies and procedures contained generic information. They failed to address the different levels of due diligence necessary when onboarding customers, the screening required, how to conduct transaction monitoring and even how to report suspicious activity. Furthermore, there was no screening policy in place to highlight the process to be followed by the employees conducting client screening, how to discount the false positives and the systems to be used.

- **Failure to obtain identification and verification documents**

The compliance examination revealed that, in respect of around 2% of the customer files reviewed, no identification documentation was obtained.

- **Failure to carry out Enhanced Due Diligence (EDD)**

The Company failed to conduct EDD measures on customers who portrayed elements of a high-risk nature. This conclusion was reached because of the nature of services rendered, the exposure to non-EU and high-risk jurisdictions and the expected volume of business activity.

- **Insufficient information/documentation to establish the purpose and intended nature of the business relationship**

In one file, lack of comprehensive information in relation to the customers' expected SoF and SoW was noted. There was no explanation as to what the expected activity throughout the business relationship would consist of. Furthermore, no information was held on file to support the rationale for the customer seeking a business relationship and insufficient details regarding the anticipated level and nature of activity of the business relationship was denoted.

- **Failure to perform effective transaction scrutiny**

The transaction monitoring system implemented by the subject person failed to cater for the large volume of transactions processed by it and to include all possible ML/FT risks which may be posed by each business relationship. Furthermore, several customers had never undergone a review since the start of the business relationship.



“I find that working at the FIAU provides the best of both worlds by challenging employees with meaningful work in an exciting sector. I joined the Enforcement Section in 2020 as a Junior Associate and during my time here I have had opportunities for growth and advancement. The Authority’s leadership has successfully internalised the goals and objectives and all the employees feel appreciated and recognized for their dedication and hard work. There is always encouragement to progress, to learn and evolve. I am proud to be working amongst such talented and knowledgeable people and I am thankful for the opportunity to contribute to our continued success.”

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